Annual Report 2020

ferratum

Content

About Ferratum

A commitment to responsible lending

Ferratum remains fully committed to ensuring its marketing practices and lending decisions continue to be clear, consistent and transparent. We have put both comprehensive and stringent procedures in place in order to lend only to those customers whom we believe will be able to repay a loan in full and on time. Over our 16 years of operating in the lending business, we have continued to leverage our data analytics to allow us to continuously optimise our operations, developed best-in-class underwriting, and created sophisticated and automated fully digitalised processes. We have strict filtering systems in place. Potential customers whom we believe would not be able to pay back their loans are rejected; and during 2020, our rejection rate of 81% meant that our approval rate represented only around 19% of all applications received across the 20 markets in which we globally lend.

Ferratum has several cutting-edge procedures and processes in place which have been carefully designed to significantly reduce the risk of granting loans to enterprises, individuals or households who may ultimately not be able to repay them in full or on time. These stringent procedures and processes vary from country to country, as do the specific products on offer, but they all include a broad range of controls, such as the utilising of sophisticated policy rules, independent credit-worthiness checks on public and private databases and credit bureaus, and all carried out with the full consent of the customer. Additionally, monthly loan repayments are carefully checked against household or personal income, as well as any other financial commitments or insolvency proceedings impacting the loan applicants.

Throughout our entire ecosystem, Ferratum applies a number of strict rules to its lending activities, which include prohibiting the granting of more than one loan to the same customer at the same time, disclosing to those we lend to the potential implications of short-term borrowing and the long-term use of such borrowing, and a one day 'cooling off' period before the granting of a new loan after a previous loan has been paid in full. These procedures are consistently re-evaluated.

In addition, Ferratum also has always evolving marketing guidelines in place which are regularly appraised to ensure that they remain appropriate and optimised for their specific purpose. Though there are a number of country-specific requirements in place, the internal guidelines focus on matters of general principle, such as the obligation not to advertise any of our services in a misleading, false or deceptive manner, and the importance of clearly and transparently detailing all relevant information to consumers, such as interest rates and fee information.

Finally, Ferratum supports a strict zero-tolerance approach with regards to money laundering and terrorist financing, and AML directives are welcomed and incorporated throughout all operational countries.

The bank of the future

Since our foundation in 2005, Ferratum has become a leading Fintech pioneer in digital banking and mobile lending, working to deliver our vision of a global financial ecosystem and pursuing our path towards becoming "the most valued financial platform".

Our comprehensive software-based, data-driven approach to credit scoring, digital lending and knowing our customers, puts us at the very forefront of the smart, paperless, 'in-real-time' mobile banking revolution.

Our ongoing mission is to provide "more than money to everyone", which means fast, easy and convenient solutions for our customers that best meet their needs, at the time that they need them. Our ambition is clear: we want to offer the best possible customer experience for lending and banking through a transparent, intuitive and reliable service; and a dedicated and always available personal customer service, online and by phone. In short, we are there for our customers, whenever and wherever they need us. We are the future of banking. Today.

Ferratum in brief

Consumer loans
87% of FY 2020 revenues

Capital Box

Business loans
11% of FY 2020 revenues

Wallet and Primeloan
2% of FY 2020 revenues

16
Years of operation

530k
Active customers

20
Countries

€230m
FY 2020 revenue

23m
FY 2020 EBIT

2m
FY 2020 EBT

Founded in Finland in 2005
Headquartered in Helsinki

EU Banking Licence

DEUTSCHE BÖRSE
PRIME STANDARD

Frankfurt Prime Standard

Digital Lending

Improving access to finance for people globally, has remained a cornerstone of our business operations since our foundation in 2005. Today, we have a comprehensive range of lending products, including our Primeloan, CreditLimit and CapitalBox products that we can offer to consumers and SMEs, providing them with a number of finance options to help them successfully pursue their ambitions.

By offering a broad variety of lending products, we give our customers greater freedom to finance their lifestyles or businesses on their own terms, with financing solutions that are appropriate to their individual or professional financial circumstances. Furthermore, all of Ferratum's products are based on the same principles – something that our customers intrinsically value – and that is the fact that we offer a fully-digitalised OS, high user convenience, intuitive navigation, 'in-real-time' operations, and rapid decision-making, as well as the fact that our services are fully mobile, paperless, encrypted and online.

Mobile Banking

Throughout the unprecedented year 2020, it became ever more apparent that smartphones and tablets have become the truly critical and irreplaceable devices at the heart of people's financial lives, and today customers expect to be able to fully manage their entire personal and business finances from their mobile devices in a safe and secure manner, and at any time and place of their choosing.

To achieve this new normal; from online shopping, to deposits, payments and money transfers, to managing bank accounts and savings, Ferratum's comprehensive banking services have been developed to fulfill our customer's increasingly demanding and specific requirements.

Ferratum currently operates in 20 countries globally and has a full EU-banking license. The Ferratum Mobile Wallet app is currently available in Latvia and will become operational in further countries, including Finland and Germany, during 2021.

CEO's comments

Jorma Jokela
CEO and Founder, Ferratum Group

Dear Shareholders,

When I was last writing our shareholder letter, a global pandemic had just begun and there was a considerable amount of uncertainty in the air for us all. I believe we can all agree that the year 2020 was not as we expected it to be, but at the end of the year it was heartening to see that the overall impact of the global pandemic on our business turned out to be somewhat more positive than initial projections assumed.

I am happy to state that our financial position in 2020 was strong with revenues of EUR 230 million and a positive result in net profit. These are good results considering that we had to build a one-time credit loss reservation of EUR 7.8 million at the beginning of the year due to changes in macroeconomics, and that our revenues decreased by approx. EUR 63 million. About half of the decrease came from discontinued countries, and the other half from stricter credit policies. The foundation of efficiency and innovation that we had already laid in the previous year also supported us and protected us from being more impacted by the pandemic. Being able to close the year with these results proves how well our organisation was able to adapt – and I am extremely proud of our team.

During 2020, we suspended lending in Spain and Poland, and discontinued our activities in Russia, Canada and New Zealand as we wanted to shift our focus more strongly to countries in which we see a higher potential for profitable growth. At the end of the year, Ferratum was present in 20 countries.

Managing through the pandemic

During the early part of 2020, intense focus was placed on working together with our customers to ensure that their payment behaviour remained at a good level. At the same time, we also ensured that our cash flow remained strong. This was the right choice and showed the power and impact of our big data and AI driven riskmanagement, as well as our competitive advantage from 16 years of experience in the field. Looking at our "days past due date" metric gives a great indication of payment behaviour, and we see that it improved each quarter. Through our team's active management, the level for payment behaviour was higher in this crisis than ever before.

Funding was another important topic during this phase, and we shifted the emphasis in our deposit portfolio from short-term deposits to longer-term ones, while at the same time ensuring a strong cash position - our cash levels rose from EUR 156 million in 2019 to EUR 237 million in 2020. This successful transition helped to strengthen our cash position.

We increasingly drove efficiency through automation and by expanding scalable solutions. Unfortunately, this meant that, regrettably, our personnel decreased by more than 200 people as a result - a tough but necessary decision to take. Our newly introduced agile way of working enabled us to drive development faster, and with less bureaucracy and middle management. We also moved more responsibility to smaller independent teams that share common Group level goals but have team-specific objectives and key results (OKR), as well as rewards.

Towards the end of the year, we started increasing customer acquisitions again and cautiously increasing our new customer loan origination, which naturally increased our upfront spending in terms of marketing spend and credit loss reservations. While we are increasing volumes again and seeking growth across channels, we also want to ensure that payment behaviour can be kept on as good a level as we currently have, while simultaneously keeping our cost structure under control through scalable operations.

Our SME segment launched a new brand called CapitalBox. With this independent brand we wanted to show our desire to build our SME customers their own, trusted partner to help them in all their financing needs digitally. Acquiring the lending business from online lender Spotcap was a great opportunity to support future growth.

The future of banking

Digitised traditional banking, fintech as we know it today, is becoming a commodity. We have seen old and new banks taking their own offering and making it available online, just as digitised businesses have enabled us to order food, taxis and hotels online from their providers already for years. But there was more to come than just the digitisation of traditional industries before they were disrupted. It was only through the rise of digital platforms around industries and services that the field became truly disrupted. We believe that this is the future of banking, and how we can and will disrupt it. We have taken the first steps to concretise this.

While piloting our new Mobile Wallet in Latvia, we obtained, for example, a lot of valuable information about the onboarding functionalities and the conversion, which we can now use when launching in further countries. We are building a pan-European mobile bank that is at the centre of the customer experience of all Ferratum customers. This is the heart of our platform on which we can develop into a full-scale and most valued financial platform in the future. Why we are in a unique position to reach this vision is rooted in our company already having a digital infrastructure across many European countries and a great understanding of local demand and regulation from years of operations in those countries. Compared to any other player on the market, we have the most experience and combined data. Digital lending is in our DNA, making us an IT platform with a banking licence.

We believe that the future of banking lies in banking platforms. We have all heard the saying about how the banks make great offers, but the offers are more beneficial to themselves rather than others. We believe that customers need to be able to compare and choose the best fit when considering a financial service for themselves, irrespective of where their accounts are. We believe that they need and deserve full transparency of the costs involved. We believe that customers should not be the ones to suffer from the legacy systems in banking that cause delays, paperwork, frustration and potentially even missed opportunities. We believe customers have the right to instant credit decisions, instant deposits, instant investments, and instant financial services as a whole. We believe that the future of banking is green, and that sustainability must be a given. Anything else would not be enough. We believe that personalised options in a fully digital experience, with a human touchpoint, are the way forward. We see it as our mission to fulfil these customer desires. We want to do so without the limitations that current providers have with locations and services. For more than a decade our mission has been “anywhere, anytime, anyone” – and now we are adding “anything”.

I would like to take this opportunity to thank all our employees, our customers and all our stakeholders for this historic year and for how well we have, together through strong commitment, been able to navigate through it. Through this work, we have been able to build the strongest foundation for Ferratum to deliver continuing profitable growth in the future again. We see that the future of banking is a sustainable one and even though we, as a digital player, have always supported sustainable finance, we have increasingly incorporated green values into our strategy – as we all need to do even more than before to ensure a safer tomorrow.

We want to create added value for our customers every day. We also want to offer our own employees – or the Ferratum Family as we internally call ourselves – a unique opportunity to take responsibility, learn new things fast and to be able to take independent decisions with their own, small agile teams, and for them to impact their daily work and the results of the company. At the end of the day, what is most important to us are employees that feel motivated and appreciated, and customers that return to us for the experience and ease of services that give them opportunities and peace of mind. This is how we measure success.

Key Figures

Financial Highlights

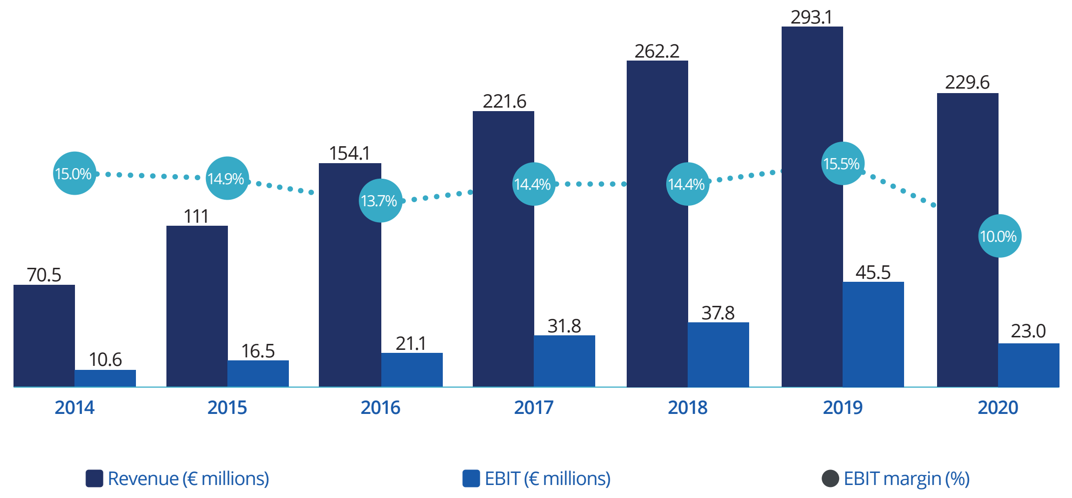
230 million €____________Revenue EUR 230 million, a decline by 21.7% compared to 2019

23 million €__________FY 2020 operating profit (EBIT) of EUR 23.0 million - down by 49.5%

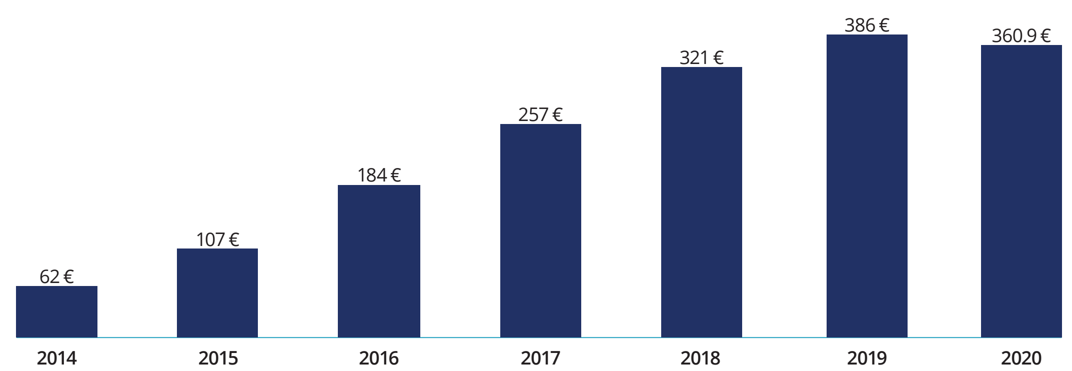
+52 %________________Cash and Cash Equivalents increased by 52% to EUR 236.6 million

2.49____Net Det to Equity

Growth in revenue and credit volume



Net loans to customers (€ millions)



Operational Highlights

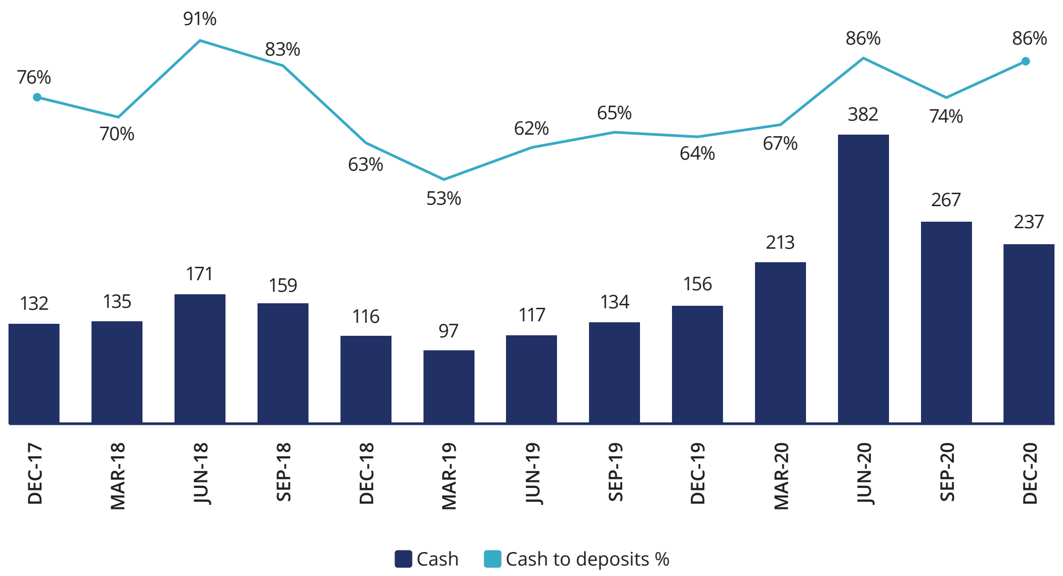
Stricter scoring and reduced lending resulted in a year on year revenue decrease of 21.7%

Cost base decreased year on year by 23.1%

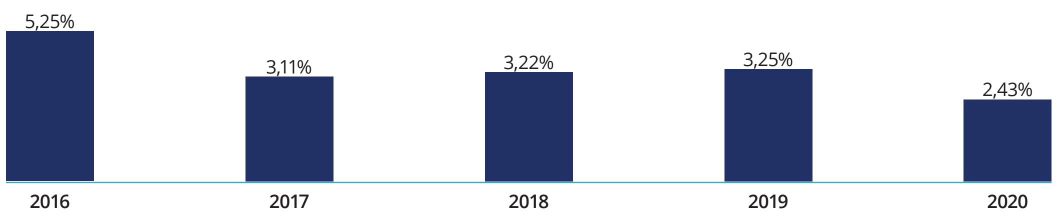
Positive full year EBIT and EBT maintained

Improved utilization of deposit funding resulted in decreased cost of debt funding

Cash and cash equivalent in Group



Weighted average cost of debt funding



Digital Lending

Near Prime

Microloans offers our customers rapid and straightforward access to small cash amounts. Using their mobile devices, our customers are usually able to obtain these loans within minutes. We currently offer our microloans in the range of EUR 25–1,000 with maturity periods of 7–90 days.

Plusloan products are offered to our customers in larger amounts, ranging from EUR 300–5,000, with a maturity period of between 2–36 months. Plusloans represent a longer-term instalment loan product outside of our traditional range of microloans and the instalments are repayed in equally distributed amounts throughout the term of the loan.

Our Credit Limit product is based on revolving credit, and unlike instalment loans, it is a type of credit without a fixed number of payments. Similar to a credit card, but without the actual card, our Credit Limit product is considered an extremely flexible option from our consumers point of view.

In 2020, at Ferratum, we continued to trend away from the PlusLoan and Mircroloan products.. As a result, the three product categories that constitute Near Prime collectively recorded a 24% revenue reduction in 2020, while maintaining profitability.

Due to the direct impact of the COVID-19 pandemic, in our Near Prime segment, we faced a significant drop in demand during Q2, markets showed signes of recovery and saw a more positive result in Q3, with second wave of the pandemic surging once again in Q4, were able to keep the business stable. Of note, our Credit Limit product was able to recover more successfully following the significant downturn witnessed in Q2, 2020 and ended the year recording a 14% decline in revenue.

Throughout the year, we improved our Near Prime underwriting, both for new and existing customers, a decision that resulted in us recording better payment behaviour than evidenced during the pre-COVID period.

Kristjan Kajakas
Business Unit Director, Revolving Loans

Ferratum ceased issuing new loans in Canada, Poland, New Zealand, Russia and Spain. While this decision reduced our lending volume, it also helped us to put a greater focus on more profitable markets and delivering a more sustainable and profitable future from 2021 and beyond. At the end of 2020, we had 18 markets in which one or several of our Near Prime products were available.

In 2020, due to our strategic decision to implement stricter scoring, our harnessing of new data sources, as well as greater agility and more centralised operations, we were able to grow stronger due to our enabling of higher loan amounts to our higher-quality customers. We also saw a positive change in customer behaviour as a result of the multi-faceted impact of the pandemic, not least in their increasing propensity to pay off their outstanding loans, rather than spend their money elsewhere. To that end, while we at Ferratum were both careful and conservative in our Near Prime operations throughout the year, our valued customers were also careful too, and the net result allowed us to end the year in a strong position.

CapitalBox

Ferratum's SME business, now called CapitalBox, offers small and medium sized enterprises (SMEs) rapid and easy working capital loans of up to EUR 350,000. These 6–36 months loans are designed to help SMEs to fund their expansion, increase inventory purchases, enhance their company marketing, to hire new personnel or to lease or purchase equipment.

Compared with more traditional banks, CapitalBox loans offer a very attractive alternative in terms of user experience, speed and convenience. For potential customers, the application can be completed online in minutes and is comprised of basic questions about the person, their business and the intended use of the loan. Based on the information provided, our advanced algorithms, as well as our extensive automated external data checks, risk analysis and decisioning, can allow us to immediately pre-approve the customer, or directly decline the loan.

Loan decisions are typically based on the cash flow of the company. On average, a loan can cover one month´s cash flow, and a company is generally required to have been operational for at least 6-12 months as a minimum prerequisite, and to be generating revenues of at least EUR 50,000 per annum.

Additionally, for a loan decision to be agreed, the company management needs to be resident and have a bank account in the country of operation and loan application. A phone conversation with one of our sales agents may also be needed to further understand the business and the need for the loan. The application of highly sophisticated data search technology enables CapitalBox to gather enormous volumes of topical and relevant data points from publicly available sources, to help build the most comprehensive database of each applicant's financial circumstances and history.

With the full consent of the entrepreneur, we use this technology to upload and interpret financial data from multiple sources and utilise it for even more precise and informed underwriting and lending decisions. This also helps the entrepreneur or enterprise to verify to us that they have the appropriate financial strength to justify a working capital loan, thus confirming that the approved loan is truly tailored to the applicant's financial needs.

Once the application is submitted and a loan has been approved and accepted, the entrepreneur or enterprise will usually have the money deposited on their account during the same business day, which is a major competitive advantage over other financing providers, including those termed traditional 'brick and mortar' banks. The loans are unsecured, however, and the entrepreneur has a personal liability on the loan and its repayment.

Ferratum's SME business remained profitable during 2020 and at the end of the year recorded an EBT of EUR 2.8 million. Payment behaviour throughout the year remained stable and equal to pre-COVID-19 levels. Customer lending decreased significantly during April and May, a strategic decision taken as a direct result of the negative impact of the pandemic, and then slowly ramped-up in a controlled fashion from June onwards, increasing every month through December.

Due to decreased annual sales, the portfolio declined from EUR 76 million in December 2019 to EUR 63 million in December 2020. Revenue was also slightly down year-on-year from EUR 27.8 million in 2019 to EUR 26.3 million in 2020. Following an upturn in sales in the last quarter of 2020.

The rebranding of Ferratum's SME business was completed during Q2 2020 and has now been renamed "CapitalBox". As a result of the rebranding, the initial marketing and PR activities related to our 'new' SME business delivered immediate positive results, and the separation of CapitalBox from the other Ferratum segments also delivered other positive and practical benefits, including enhanced and more clearly 'ring-fenced' Google search engine and location map results, for example. The ongoing and evolving marketing, PR and brand building-related activities also continued to reap results as the year progressed and it is clear that these factors will in turn help CapitalBox to more effectively drive partnerships and customer acquisitions due to increased recognition as the leading pan-European SME fintech lender.

CapitalBox had active operations in six markets at the end of 2020: Finland, Denmark, Sweden, Lithuania, the Netherlands and the UK.

In October 2020, Ferratum announced the acquisition of the business operations of Spotcap Netherlands B.V. by CapitalBox. Spotcap NL is a Dutch SME lending business by which CapitalBox expands its business activities in the SME lending space further. The acquisition of the database and portfolio gives CapitalBox deeper access to the Netherlands, home to more than 1.1 million small and medium-sized enterprises.

Prime

Primeloan represents the newest addition to the product portfolio of Ferratum and for our consumers Primeloan is our highest amount instalment loan, with lump sum amounts ranging from between EUR 3,000–20,000, with maturity periods between 1–10 years.

In 2020, during a year of tightened scoring, Ferratum achieved an increase in Primelending sales and recorded a loan sales increase of 47% in comparison to 2019. Currently, our operational Primeloan countries are Finland, Germany, Latvia and most recently, Sweden, with the Primeloan product launched in the Nordic country in Q4, 2020.

During the year, we continued to enhance and optimise our processes, our product and our market fit for the Prime segment. The efforts made in this regard support ourplans to roll out our Primeloan product to more countries during the latter half of 2021 and beyond.

In our Primeloan segment, our net accounts receivable (Net AR) increased by 96% in 2020 and the growth in our number of customers increased by 111% during the year.

With regards to the unprecedented challenges caused by the COVID-19 pandemic, we took a very careful and conservative approach to our operations within our Primeloan segment, especially during the three-month period that encompassed Q2. As a result, our tightened scoring and policy rules helped us keep payment behaviour at a good level, and largely due to the impact of the pandemic, our customers' credit quality improved, particularly with new customers.

A new scorecard built for both Finland and Germany, and implemented in 2020, resulted in huge improvements in our underwriting quality which resulted in a direct impact on improved customer payment behaviour, increased approval rates and overall customer growth. Throughout the year, we were able to create enhanced trustworthiness with regards to our brand, our products and processes, for both our customers and on our sales partner side.

Mobile Wallet

On the path to becoming the "Most valued financial Platform", Ferratum has developed its own proprietary core mobile banking platform, the Mobile Wallet. The Mobile Wallet app is to be further rolled-out throughout Europe during 2021 and beyond and Ferratum will position the Mobile Wallet into the very centre of its customer communications. At the end of 2020, the Mobile Wallet was operational in Latvia.

With the launch of the newly designed Mobile Wallet, the next generation of our Mobile Bank, we are now able to connect customers, partners and our own offering alike. The open API architecture of the app allows for the seamless integration of service widgets by other companies. Furthermore, with the Mobile Wallet, customers will be able to gain access to a larger service base, and at Ferratum we will also gain by enhancing our customer offering and consequently attracting more customers, which will generate additional revues from commissions. As a result, we consider our proprietary Mobile Wallet app to be a win-win-win platform solution for all parties.

During 2020, we were able to obtain considerable data, as well as fundamentally enhance our knowledge of our Mobile Wallet as a result of our comprehensive pilot of the wallet implemented in Latvia. Of note, the pilot resulted in positive results in terms of the number of the downloaded app and the unit cost per downloaded app. At the end of 2020, around 40,000 downloads of the app occurred in Latvia, a figure representing approximately 2% of the entire population.

Our pilot scheme in Latvia also revealed that during 2020, customers were proactively searching for financial app solutions and that they also desire lending solutions integrated together with the Mobile Wallet. To that end, as we move further into 2021, new products will continue to be implemented into the wallet, like contactless payments (i.e Apple Pay, Google Pay) and saving products. This partnership approach will allow us to deliver faster growth with limited capital expenditure and will help us to create a highly flexible financial ecosystem that will cater for the broadest range of financial needs via a single, unified application. To that end, products will be built around the entire customer life cycle by involving valued partners from both the financial industry as well as non-financial technology companies.

Additionally, a great deal of focus during the year was dedicated towards both improving our customers user experience and in beginning to build the platform with the addition of unified elements. In this way, we will be able to offer our own products as well as thrid party products in the future, optimised for our target segments.

We are now in the perceived middle stage of building our long-term platform strategy. As a result, we better understand how important a smooth onboarding is and we will continue to incrementally improve the Mobile Wallet as issues are both identified and fixed.

In 2021, we will be ready to further scale-up our Mobile Wallet with new products and features, increase active users and downloads in Latvia and launch our Mobile Wallet in Finland and Germany . We also plan to deliver better end-to-end resources and responsibilities, provide clear ownership, and implement more efficient executions throughout the entire ecosystem. Additionally, by combining the wallet with a great customer experience and our lending background with an easy shopping experience, we strongly believe that we will be able to position ourselves in a so-called 'sweet spot' in the market.

Credit risk

Credit risk is generally defined as the volatility of a financial loss resulting from a borrower's failure to repay a loan or meet their contractual obligations. Therefore, Ferratum effectively runs the risk of not recovering any contractual amounts due from its customers, including the principal amount and any interest receivable and processing fees therefrom. Defaults by borrowers result in the absorption of such losses by the Bank, thereby eroding its earnings position. Although it's challenging to know exactly which individuals or businesses will default on their obligations, properly assessing and managing credit risk can lessen the severity of a loss. Interest payments from the borrower or issuer of a debt obligation are a lender's or investor's reward for assuming credit risk.

Ferratum considers credit risk to be a critical compenent within its Risk Governance and Risk Management Framework, since it is the biggest driver of risk in its operating structure. The effective management of credit risk is crucial to the long-term success of its strategies and therefore Ferratum employs many techniques to manage its exposure to credit risk. These techniques are designed to ascertain the inherent credit risk for each customer and are highly influenced by the applicant's personal or business circumstances, and their credit rating. In fact, all loans to customers are granted on the basis of the outcome of a scoring model, depending on the loan type, and the rules embedded within the credit policy. Each lending transaction and the related agreement are determined on the strength of an individual credit score decision.

In 2020, with the onset of the COVID-19 pandemic, Ferratum was able to quickly adjust its credit scoring to reflect the deteriorating macroeconomic outlook. Restrictions on new client lending were put in place based on newly adjusted risk scores, cuts to certain vulnerable industry sectors like tourism and hospitality, and affordability calculations. In addition, strategic decisions were taken to suspend lending to new clients in certain geographies, and to focus on growth and profitable markets. As a result of these measures, Ferratum improved its payment behaviour during this highly uncertain time and had a healthy credit portfolio and balance sheet at the end of 2020. To highlight the result of these prudent measures, Ferratum was in a good financial position to acquire the Dutch SME portfolio from Spotcat NL in October 2020.

In 2020, Ferratum recorded an 81% rejection rate (or conversely, recorded a 19% acceptance rate) with regards to the granting of new loans and thus accepted the credit risk derived from this acceptance rate. This 81% rejection rate suggests that our structure is well-designed, and customers have to fulfill very strict criteria to receive a loan; where primarily based on the credit score registered, customers are grouped into risk classes where the respective risk class determines the maximum credit amount allowable for each customer. The scoring model and linked scorecards are monitored by the Risk management function. These are applied in all jurisdictions in which the Group operates, with specific adaptations at country level taking cognisance of the different characteristics of each market; with the adaptations being centrally approved. The scorecards are reviewed on an ongoing basis by the management team and updated according to market trends, political circumstances in the particular jurisdiction, as well as legislative and socio-economic changes. This structure proves that throughout Ferratum, 'risk' remains high on the agenda and during 2020, while the money lent out declined in comparison to 2019, the credit losses across our portfolio decreased throughout the year, a reflection of our conservative and improved payment behaviour.

Strategically, Ferratum remains on a transition from very short-term lending towards mid-term consumer lending, for example, in its moving away from Microloans to longer-term lending, like with our Primeloan product. This goes hand in hand with decreasing interest rates for longer-term loans and higher loan amounts. This reduces the risk bearing capacity of the new products and thus requires a reduced credit risk appetite. Risk appetite is defined by how much risk Ferratum is willing to accept in order to have a healthy business, and is governed by policies, processes, limits, controls and systems put in place by the Group in order to communicate and monitor how much risk Ferratum is willing to take on. Choosing to have less risk means being more selective in terms of who we provide a loan to, and in doing so, calibrating our scoring and underwriting accordingly.

Furthermore, during 2020, our scoring mechanisms for Primeloans were further developed and our offering expanded to more countries. For very short-term lending, other criteria are more relevant than for Primeloans, which have an average term that usually exceeds four years. For Primeloans, the utilisation of external databases like credit bureaus was expanded, as well as the receiving of other information directly obtained from applicants. Based on this additional information gathering, a new generation of score cards have been developed, with new data points and weightings for all variables. Applied policy rules have been tightened and affordability rules enhanced. Now, we have the full spectrum of outside databases at our disposal, as well as our own proprietary scoring models for Prime lending, including checks on the applicant's affordability, household expenses and income, amongst other variables.

Looking at credit risk in general, what can be said is that there has been a trend across recent years of decreasing interest rates for successful loan applicants.

Our risk provisioning model, based on IFRS 9, includes forward looking macro-economic parameters using three different scenarios and building credit loss provisions as a likelihood weighted average of these three different scenarios. These three possible scenarios are considered to capture non-linearity across credit portfolios. The 'base line' scenario represents the most likely outcome. It is based on authoritative sources forecasting economic variables referred to above and providing the best estimate view on various economies. Apart from the 'base line' scenario, two other macro-economic scenarios – Upside and Downside scenarios are considered, which respectively represent a more optimistic and a more pessimistic outcome. Such scenarios reflect the current top and emergent risks and opportunities. The more optimistic and more pessimistic scenarios are economically plausible and will not necessarily be as severe as scenarios used in stress testing. Additionally, at the beginning of the first wave of COVID-19 in early 2020, Ferratum built a macroeconomic reserve of EUR 7.8

million in order to be protected against possible adverse payment behaviour. Although we saw constant improvements in payment behaviour as 2020 progressed, Ferratum has not released any of the reserve to date. The intention is to keep the reserve until the economic outlook is perceived to be more predictable.

Furthermore, when it comes to credit risk, we also have comprehensive and clearly defined KPIs (Key Performance Indicators) in place that allow us to further understand trends and volatility, as well as provide alerts so we may take risk-reducing actions if required. In addition, we have fraud management reporting measures in place, that allow us to both identify and protect ourselves from potential fraud scenarios. The next step is to now introduce our fraud management tool on our forthcoming Mobile Wallet app platform.

Risk Management is an independent function. Throughout the entire risk ecosystem, we work closely with the Ferratum Group subsidiaries' CEOs and team leaders in terms of day-to-day business, assessing the introduction of new products and services, as well as taking actions in terms of whether we can increase (or decrease) our approval rate. We also strive to take immediate action in order to reduce risk if a specific country is receiving credit losses beyond our acceptable parameters. While working closely with the Business, Risk has also created a Second Line of Defense in the organisation, ensuring that all decisions need to be approved independently in a Credit Forum.

In October 2020, Daniel Kliem started in the role of Chief Credit Officer. Daniel is a very experienced Risk Leader with considerable international experience. Also, the team has been expanded with a good blend of talents and experienced Risk Managers.

Finally, advances in technology continue to reduce the overall risks associated with providing loans to individuals and businesses. As a general rule, now that we have cutting-edge digital software and artifical intelligence systems in place, the decision-making processes at the beginning of the lending process for consumer and business lending are largely automated. Due to these developments, Ferratum was instantly able to put in place changes to its underwriting to help mitigate the adverse financial impact of the COVID-19 pandemic. In business lending, this software / human hybrid model is appreciated. Entrepreneurs generally have different needs and in consumer lending, the more we can automate, the quicker we can make decisions regarding the accepting or rejecting of a loan applicant. Throughout the entire risk ecosystem, as well as throughout our product evolution, stringent rules, real-time monitoring systems, and risk mitigation procedures are in place.

With regards to the collections, Ferratum's focus is on amicable collections. Ferratum has a formal debt collection structure outlining the manner in which the Group deals with past due loans and advances. This structure is supported by procedures for use within the operations in the respective territories with formal documented adaptations for the respective territories. The procedures highlight the prescribed actions, channels and mechanisms utilised to follow up on outstanding exposures, indicating the precise point in time at which the respective actions are taken and allocating roles and responsibilities in this respect. These procedures also focus on the extent to which collection activities are carried out by the Group and the stage or phase at which external collection companies are utilised.

Ferratum also enters into sale arrangements with third parties for the transfer of outstanding balances in respect of certain credit products granted in specific territories once such balances reach pre-established trigger points in terms of days past due. Such transfers take place at pre-established levels of consideration. These arrangements constitute an intrinsic part of the Group's management of past due and non-performing assets.

COVID-19 action plan

1. Liquidity management:

Strong total liquidity position of EUR 237 million at year end

- Successful management of deposit term structure and cash collection
- Increased utilization of deposit funding
- No repayments due in 2021

2. Control Risk:

Strict management of the Group's risk appetite along the pandemic waves and lockdown measures

- Continued strong and stable payment behaviour throughout the business year 2020
- Suspension of lending in selected markets
- Focus on quality loan segments

3. Reduced Cost Base:

Focus on cost management and a substantially leaner organization

- Headcount reduced by ca 200 to 640
- Overall cost base down by EUR 28 million or -20% (partially driven by marketing expenses)

4. Go for Opportunities:

Ferratum has invested in future growth

- CapitalBox rebranding and acquisition of Dutch SME lending business of Spotcap
- Acceleration of Primeloan sales in H2 2020
- Migration to a pure Agile organizational structure

Legal and Regulatory Environment

General overview

2020 proved to be eventful year for the Group's Legal and Compliance function, not only due to the changes brought about by the natural evolution of the legal landscape, but also as a result of the unforeseen transformations triggered by the COVID-19 pandemic. Aside from the functions' day-to-day work, the Legal and Compliance teams were involved in the analysis and review of a number of legal changes with pan-European implications, including those brought about by the Capital Requirements Directive V, DAC6 (Council Directive (EU) 2018/822)[1] , Brexit[2] and the European Banking Authority Guidelines on loan origination and monitoring. The COVID-19 pandemic itself led to a flurry of legal changes in a very short time span, such as the imposition of moratoria on loans granted to clients in a number of jurisdictions, as well as temporary restrictions on the provision of certain services, apart from other operational developments.

The Group's Legal and Compliance function furthermore committed substantial resources in support of the contemplated conversion of Ferratum Oyj into a European Company ('Societas Europae', or SE). The Board of Directors of Ferratum Oyj in December 2020 resolved to approve the draft terms of conversion, as well as a report explaining and justifying the legal and economic aspects of this change. The ultimate objective of this conversion is to make the Group structure more transparent and leaner from a governance perspective.[3]

The year under review provided the Group's Legal and Compliance function with the opportunity to realign its resources in order to continue to effectively support the Group's business, safeguard its interests and assist its management to effectively handle legal and compliance risks. Within the Bank's Legal and Compliance function a number of changes were made to specific roles, including that of the Money Laundering Reporting Officer ("MLRO"), in order to consolidate the team's succession planning and resources in the three separate fields of anti-financial crime, compliance and law. This follows closely on, and is a continuation of, the strategy adopted by Ferratum during the preceding years. The continued investment in the functions' resources was not only driven by increased regulatory and supervisory expectations across the countries in which the Group is active, but also by the Group's own internal drive to strengthen its internal control function and promote a solid compliance culture across the Group and its subsidiaries.

[1]DAC6 imposes mandatory disclosure requirements for certain arrangements with an EU cross-border element. Given the situation created by the COVID-19 pandemic, its implementation was postponed in various EU member states, but as of January 2021, 26 EU member states have adopted legislation transposing the DAC6 into their domestic tax laws. Ferratum has been closely monitoring the developments of the DAC6 implementation in different member states to ensure full compliance with the applicable reporting requirements.

[2]The long-anticipated UK Brexit transition period ended on the 31st December 2020, with the UK leaving the EU on 1st January 2021. As a result, the passporting regime between the UK and the EEA, which previously allowed firms authorised in one EEA state to conduct business in other EEA states based on their 'home' member state authorisation, was no longer available. The Group was not engaged in passporting services to or from the UK, and therefore experienced no negative repercussions as a result of Brexit.

[3]The conversion to an SE is subject to an approval by Ferratum Oyj shareholders' general meeting by a qualified majority.

Regulatory changes 2020

The Group continues to proactively comply with the regulatory changes in the countries in which it provides services without, as much as possible, negatively affecting its customers' expectations and experience. In the course of 2020, Ferratum has actively managed a number of changes in the following countries:

Finland Temporary amendments to the Consumer Protection Act entered into force in July 2020 with regards to the maximum interest rates that may be charged to consumers. These expired at the end of 2020.

Germany A pandemic law came into force in Germany under which lenders had to provide a moratorium for borrowers under consumer credit agreements who suffered a loss that made it unreasonable for them to carry out their payment obligations. The law applied until the 30th June 2020.

Malta A regulation governing moratoria on credit facilities, as well as a directive issued by the Central Bank of Malta, came into force on the 13th April 2020. The moratorium is not automatic but must be applied for by the customer, who must meet certain conditions in order to become eligible for it. The original moratorium was for a six-month period, but this was later extended through subsequent regulations.

Norway New measures were passed in Norway reducing the fees which may be claimed from customers for collection and enforcement. Ferratum Bank complies with the new measures.

Denmark The Danish Parliament enacted a law regulating caps on the total costs of unsecured consumer credit, as well as the marketing thereof. The law came into force in July 2020.

Poland In March 2020, the Polish Parliament decided on a bill to reduce the level of non-interest costs of loans for a temporary period, which was recently extended until the end of June 2021. The law did not apply to loans issued before April 2020. Furthermore, a new law was passed in May 2020 criminalising the act of requesting customers to pay nominal interest or default interest exceeding twice the maximum limit, as well as charging non-interest fees at twice the permitted level under the anti-crisis bill passed on the 31st March 2020. Ferratum Bank charges interest and fees within the caps allowed by law.

A law on moratoria entered into force on the 24th June 2020, whereby creditors are obliged to grant moratoria to customers who fulfil certain conditions stipulated by law.

Sweden The Swedish Consumer Agency's general advice on consumer credit came into force on the 1st July 2020. They mainly focus on marketing, information to customers, good crediting practices, credit checks and credit mediation. Ferratum is compliant with the Swedish Consumer Agency's advice.

Spain A law was passed on the 31st March 2020 obliging banks to grant moratoria of three months, during which interest does not accrue, on consumer loans which meet a number of criteria set by law.

Netherlands As of the 10th August 2020, the maximum annual credit compensation rate was temporarily reduced from 14% to 10%. The reduced maximum interest rate applied only to consumer credit agreements concluded after the 10th August 2020. The measure shall be applicable until the 21st March 2021, however it is considered to lower the maximum credit compensation rate on a permanent basis.

Ferratum has complied with all the legal requirements with respect to all its products in 2020

Regulatory changes 2021

The Group continues to closely monitor other country-specific legal developments which are expected to come into force during 2021, and which include the following:

Denmark The Danish Ombudsman and the Danish Financial Services Authority have issued draft guidelines on consumer creditworthiness assessments.

Finland The Finnish Parliament has approved a new temporary law reducing the maximum interest rates which can be charged on consumer credit. The law, which is valid until the 30th September 2021, is very similar to that which came into force in July 2020 and expired at the end of December 2020.

Germany New provisions are expected to come into force in 2021 regulating the information to be included in consumer loan agreements regarding the right of withdrawal, as well as the pro-rating of fees in the case of early repayment.

Norway A new Financial Contracts Act, enacted in December 2020 and expected to come into force later in 2021, is primarily set to implement the Payment Service Directive 2 (Directive (EU0 2015/2366), as well as other EU measures. The Financial Contracts Act also regulates several other matters, including consumer credit agreements, creditworthiness assessments, anti-usury provisions and electronic signatures.

On the 1st January 2021, new Regulations on Financial Undertakings' Lending Practices came into force. These broadly reflect the regulations which came into force in May 2019 and expired in December 2020. The new regulations will expire at the end of 2024.

Poland The Polish Parliament is discussing a law which is set to abolish the office of the Financial Services Ombudsman and bringing such functions within the remits of the Office for Competition and Consumer Protection.

Romania On the 6th May 2020, the Chamber of Deputies, the lower House of the Parliament, adopted a law on capping of interests (so called excessive interests). As at the time of writing of this Report, the law is being considered by the constitutional court, following a challenge targeting its validity.

Spain A Ministerial Order was passed in 2020, but which only comes into force in 2021, regulating creditworthiness assessments and information requirements for revolving consumer credit.

Bulgaria In March 2020, a pandemic law came into force in Bulgaria under which lenders had to stop charging late interest fees and put on hold enforcement proceedings temporarily.

While 2020 will mostly be remembered for the impact of the COVID-19 pandemic on both the national and international level, the Legal and Compliance function looks back at the year as one in which it managed to successfully navigate the various challenges this brought about. Ferratum's Legal and Compliance function remains confident that during 2021 it will not only manage to continue weathering the storms of legal uncertainty in a post-pandemic environment, but it will furthermore ensure that the Group reaps the benefits of the efforts and work undertaken during the year under review.

Information for shareholders

Annual General Meeting 2020

Ferratum's Annual General Meeting will be held on 20 April 2021 at 10 EET at the offices of Castren & Snellman Attorneys Ltd, in Helsinki.

In order to limit the spread of the COVID-19 epidemic, the Company's Board of Directors has decided to adopt the exceptional meeting procedure provided for in the Finnish Act 677/2020, which temporarily deviates from some of the provisions of the Finnish Limited Liability Companies Act (the so-called temporary act). The Board of Directors has decided to take the measures permitted by the temporary legislation in order to hold the General Meeting in a predicable manner while also taking into account the health and safety of the Company's shareholders, personnel and other stakeholders.

The Company's shareholders can participate in the meeting and exercise their rights only by voting in advance and by presenting counterproposals and questions in advance. Instructions for shareholders are provided in the AGM notice published on the Company's website.

It will not be possible to participate in the meeting in person, and no video link to the meeting venue will be provided. The Company's Board of Directors, the CEO, other management and the auditor will not be present at the meeting venue.

Financial Calendar

20 April 2021:	Ferratum Group: Annual General Meeting
12 May 2021:	Ferratum Group: Q1 results
12 August 2021:	Ferratum Capital Germany: H1 report
12 August 2021:	Ferratum Bank p.l.c.: H1 report
12 August 2021:	Ferratum Bank p.l.c.: H1 report
11 November 2021:	Ferratum Group: 9M results

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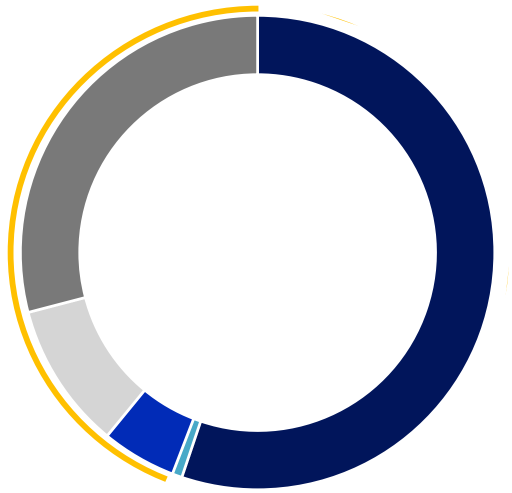
Shareholder structure

Jorma Jokela	55.18%
Total Free Float**	44.15%
Other shareholders	29.06%
Universal Investment Gesellschaft GmbH	10.00%
Dorval AM	5.09%
Ferratum Oyj*	0.67%

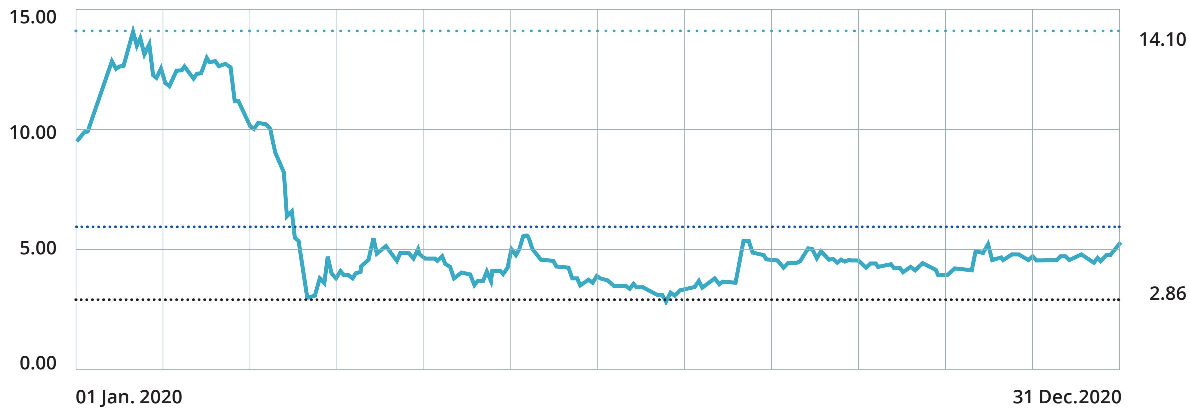


All information of shareholders holding based on the latest shareholder notifications received
* Treasury shares held by Ferratum Oyj (no voting right and no dividends paid on treasury shares)
** Total free float includes shares held by institutional investors, but not treasury shares held by Ferratum Oyj

Ferratum share data

Market:	Frankfurt Stock Exchange, Prime Standard
ISIN:	FI4000106299
Symbol:	FRU
Shares in issue	21,723,960
High 2020	14.10
Low 2020	2.86
Closing 2020	5.06

Ferratum Share price (€)



Corporate Responsibility at Ferratum

As a Fintech that operates and develops a big data-based global financial platform for real-time scoring, lending and banking services, Ferratum´s corporate strategy and business model is intended to have a positive impact on people's financial lives, globally. The availability of credit provides customers with more options to realise their economic plans and gives SMEs unique opportunities to develop and expand their business. Ferratum's Mobile Wallet offers customers the ability to manage their finances easily and swiftly through a comprehensive range of banking services, including facilitating savings. We want to empower people to master their finances and relieve financial stress, particularly through the use of our mobile applications.

Notably, the Group's focus has shifted away from Microloans and moved towards more high-end prime lending with higher value loans and longer terms. In 2020, marketing campaigns by Ferratum focused on our transparent loan conditions with no hidden fees as well as assurances that we deliver total clarity to our customers prior to them taking a loan.

As a Fintech, we remain committed to understanding how all our operations, activities and products can make a positive impact on society and the environment. In addition, we remain open to adapting our business to respond to increasing stakeholder demands for responsible business conduct, where we follow the overall trends of caps and longer-term loans.

Ferratum's corporate responsibility (CR) credentials are defined by five core values, and material topics. These values and material topics shape the Group's CR activities and frame the company's reporting and communications.

What are Ferratum's Values?

Customer centricity

Our customers are at the heart of what we do, why we exist, whom we first serve, and serving them is why we have a right to be in the market. In everything we do, we want to create solutions that are made by thinking as if we were looking at them through the customers' eyes and are striving to give them the best possible customer experience.

Entrepreneurial Spirit

We embrace the entrepreneurial spirit that has guided us since the beginning and that our employees cherish so much with us. We are curious to learn new things, innovative in finding solutions, we move fast, stay agile, have low hierarchies, avoid unnecessary bureaucracy and think about spending money as if it was coming out of our own pocket.

Candour

We communicate openly, transparently and honestly with each other and all our stakeholders, and do so with respect. We make no excuses and are straight forward in what we do and what we say. We are realistic with our planning and speak up when we see issues or risks.

Respect

It is about how we feel about others and how we treat them. We respect our customers, both internal and external, our colleagues, our partners, our investors, and all our other stakeholders evenly in all our actions and communications. This respect is also shown by taking accountability for our actions in a wider social context, taking care of mother nature's limited resources and conducting our business in a sustainable manner.

Winning teams

We can only achieve the highest outcomes by working together in winning teams. In these teams, we support each other, stand up for each other and can make mistakes without being judged, but we also together learn from them. We have each other's back and like a family across teams we stick together, fight together and when we achieve our goals, we celebrate together.

Stakeholder engagement is at the heart of our value creation

Creating value for our stakeholders has been our guiding principle since Ferratum was founded in 2005, but the value that we create is itself the product of involving a wide range of stakeholders.

While customers, employees and investors are at the core of our day-to-day business, Ferratum's broader

stakeholders include partners, regulatory officials and media commentators, who collectively shape the range, quality and appeal of solutions for our customers.

A two-way process of engagement reinforces our commitment to transparency and openness in our dealings with all of our stakeholders.

Stakeholder group	Expectations	How we respond to their expectations	Engagement channels
Customers	• Offering trustworthy and transparent lending services • Fast, hassle-free, paperless, real-time lending processes resulting in good customer experience • Fair assessment of ability to repay • Protecting customer privacy • Accessible customer service	• Provide customers with transparent, flexible, automated, secure and trustworthy lending services and systems • Fully online, real time services • Fair assessment of credit worthiness • Complying with all data protection regulations • Professional customer support 24/7	• Customer support (phone, chat, email) • Websites • Social media • Marketing channels • Newsletters
Employees	• Trustworthy, secure and transparent working environment • Opportunities for professional development • Dynamic,ambitious and exciting company with appropriate incentivisation • Ensuring employee health, safety and well-being • Equal opportunities	• Open and inclusive communication globally • Formal training and development programmes • Competitive remuneration and incentivisation packages • Flexible working arrangements • Internal opportunities to grow and develop internationally (location agnostic) • Team building culture and activities • Healthy catering • Equal opportunities policies, promoting diversity	• Team meetings, internal communications and quarterly meetings, led by management in-person and online • Internal channels (Internal communications page, newsletters and Yammer) • Informal office gatherings led by Group leaders • Whistleblowing channel
Investors	• Offering trustworthy, consistent and transparent IR communications • Clear understanding of the investment case • Complying with laws and regulations	• Active and transparent IR communications • Appropriate,informative and insightful reporting and presenting • Easily accessible and responsive IR • Ensuring all regulations and laws related to IR communications are complied with	• Regulatory reporting • Website • Stock Exchange releases • Conferences • Roadshows • 1-to-1 meetings • IR Newsletter
Partners	• Active collaboration and transparent communication • Reliability of delivery • Commercial opportunities	• Dedicated team to handle partnerships and designated contact people • Value-added, innovative thinking	• Events & conferences • Media • Website • Meetings (in person or virtual) • Email & phone • Secondments
Regulatory officials	• Complying with laws and regulations	• Complying with laws and regulations	• Regulatory reporting • Stock Exchange releases • Website • Dialogue with regulator and stock exchanges
Media	• Transparent, professional communications • Good reactiveness and responsiveness • Access to management	• Professional and timely responses to enquiries • Actively informing about relevant developments • Personal interview opportunities and access to management	• Press releases and briefings • Website • Email / Phone • Personal meetings • Regulatory reporting

CR priorities based on materiality analysis

Our materiality analysis was carried out in 2017 via an online survey with our internal and external stakeholders to find out what topics we should focus on in terms of Corporate Responsibility. The survey was strengthened with additional interviews conducted with employees, investors, partners and customers.

In 2018, the materiality matrix was updated to better reflect our significant external impact on the economy, the environment, and society – and not only those impacts that have immediate consequences from a business perspective. The responsibility materiality matrix displays the importance of the topics to stakeholders and management respectively.

Ferratum's responsibility materiality matrix

Our material topics

The key topics identified from the materiality analysis have been categorised as:

- Responsible lending
- Employee well-being and development
- Ethical business practices and transparent communications
- Value for customers and investors

Together with our five core values, these four topics drive our Corporate Responsibility activities.

Responsible lending

At Ferratum, responsible lending is not a principle or a responsibility that is allocated to a specific role or department but is viewed within the organisation as a collective responsibility throughout all levels of the organisation. We are committed to ensuring that our marketing practices and lending decisions are transparent, clear and consistent. Our priority is to protect our customers' data and privacy, ensuring that sufficient and relevant information is provided to them when they access any of our lending products.

We have built our responsible lending on three pillars:

- Transparent offer - Our customers must understand key terms and conditions, our customer communication must be clear and transparent, and our legal documentation should be understandable for our customers to help them make informed decisions
- Ensure affordability - Providing affordable loans to customers that are suitable for the purpose for which the loan is obtained
- Support customers - Sometimes life situations change, and our customers may unexpectedly find themselves having difficulties in paying back a loan according to the original agreement. If this happens, we work actively together with our customers to find a solution that serves all parties

In 2020, due to the COVID-19 pandemic, scoring and lending was tightened significantly. We also reduced the lending volumes. The repayment pattern also improved during the year due to our customers more consistently and reliably paying back their debt.

Guidelines to ensure reasonable loans

Ferratum has a number of procedures and processes in place designed to reduce the risks that ill-suited loans are granted to individuals, households or businesses. The processes and procedures vary from country to country, as well as the specific product on offer, but include a range of controls such as independent credit-worthiness checks on public and

private databases and credit-bureaus, monthly loan repayments vs household or personal income, as well as checks on any other financial commitments and insolvency proceedings affecting loan applicants.

Furthermore, we apply a number of rules to our lending activities in different jurisdictions, the adherence to which is monitored on a regular basis, and can include, for example, prohibitions on granting more than one loan to the same customer at the same time, disclosing to borrowers the potential implications of short-term borrowing and the long-term use of such borrowing, and a one day 'cooling off' period before the granting of a new loan after a previous loan has been paid in full.

Each year, we aim to make notable improvements in the area of responsible lending: including implementing new data sources for income and expense verification, as well as new repeated lending principles. We continue to improve our sophisticated loan scoring system, and this is particularly relevant for prime loans that access internal and publicly available data, combined with our self-learning algorithms, customer affordability and product suitability. This technology is at the heart of our decision-making process and ensures that we are providing only the most suitable products to our customers. During this unusual year this was highlighted even more where we tightened and re-evaluated new customers as well as actively invited customers to engage in discussions with us.

In 2020, Ferratum accepted only 19% of all new loan applications, a testimony to our strict criteria and efforts to ensure we only provided loans to those who could meet their contractual obligations, as well as deliver an active response to help support people in challenging times during the pandemic.

At Ferratum, we support a zero-tolerance approach concerning money laundering and terrorist financing. Anti-Money Laundering laws, regulations and rules are welcomed and incorporated in all operational countries. Also, no fines or sanctions were obtained in 2020 for any non-compliances with laws or regulations in the area of lending.

Employee development

Ferratum is an international, multicultural, and multilingual organisation. In 2020, Ferratum made more significant organisational changes in reaction to the pandemic and reduced lending volumes. As a result, the personnel head count was regrettably reduced. Ferratum now employs 640 people across 20 markets in Europe, North America, South America, Africa and the Asia-Pacific region, with key operational offices in Finland, Malta, Slovakia and Germany and including 36 different nationalities. The Group HR Team consists of six employees working in Malta, Germany and Slovakia and led by the Chief Human Resources Officer.

The Ferratum Group believes in inspiring and developing its people and is committed to creating an environment where all colleagues feel respected and have the opportunity to deliver their best. As part of this approach, we would like to position our company as the employer of choice within the industry, and one that can attract and nurture new talent from the banking sector.

Ferratum also actively encourages and promotes people within the organisation to grow and develop and to further their career path within the Group.

Guidelines for HR

Ferratum has several people-related policies in place to support the management and development of our personnel. We have policies, procedures and guidelines on recruitment, changes in the organisation, training and development, security, and a Code of Business Conduct (in Ferratum Bank). Employee handbooks have been developed to guide corporate communication, equality and actions against bullying. All employee policies and guides are introduced via info-letters and are also available at a later date through our internal communications page.

Our HR practices are available to everybody, regardless of their location, and we use modern cloud-based HR systems that support access from anywhere, at any time.

Employee engagement

In 2020, Ferratum launched a new streamlined employee satisfaction survey using the Net Promotor Score methodology. This enabled us to run this survey more frequently to keep a closer connection to the employee mindset, harnessing the power of the eNPS to support the business to boost employee satisfaction and ways to improve workplace culture. This was even more crucial given how unprecedented the year 2020 turned out to be, and its utilisation meant we were able to better support our teams, who were mostly working remotely throughout 2020.

Taking care of employees' well-being

The unusual year 2020 challenged the traditional ways of taking care of our employees' well-being. And it was quickly acknowledged that due to the unprecedented impact of the pandemic, employees' well-being should be treated as a more important consideration than ever. To that end, we consistently tried to find out ways to improve our employees' well-being during the year. For example, we organised e-sports events for all our employees, as well as opened up new online courses to everybody in 2020, something that was previously provided to only select employees. All Ferratum employees now have access to over 16,000 courses in seven languages to support their personal and professional development.

Ferratum also conducted weekly group-wide calls to allow everybody to ask questions or raise concerns about the current situation, and this proved to be something employees found very useful, helpful and comforting during the most challenging times.

In 2021, the Group is continuing to run several initiatives to support the well-being and professional development of its people. These include:

- Improving the possibilities for remote work

- Providing occupational healthcare, such as private health insurance or subsidising healthcare expenses
- Supporting physical health with bi-weekly online training

Safety is always a high priority, and in 2020 no work-related injuries were recorded. Compulsory and voluntary training is also organised on health and safety issues.

Ferratum has incentivisation programmes for its employees across all levels of the organisation

Developing employees and leadership

The continuous professional development of individuals is strongly encouraged, through:

A. Continuously increasing attention to employee development via advanced learning opportunities – a modern learning platform and content available to all employees, including:

I. Formal training and development programmes via (virtual) seminars, classroom training and online courses

II. On-the-job learning and more informal teaching

III. Offering challenging tasks and projects

IV. Mentoring and line management

B. Providing development opportunities equally to all employees

C. Internal job availabilities introduced and made available to all

D. Onboarding program to new hires, irrespective of location

The unusual year also challenged the ways Ferratum was able to conduct its meetings. When the pandemic hit, all regular team meetings, internal communications and quarterly meetings were implemented virtually. Despite the circumstances, we managed to conduct formal professional development reviews of employee performance for all staff.

In 2020, we continued our leadership training for line managers and team leaders, focusing on agile enterprise considerations as well as online learning.

2020 development plans

Ferratum continues to enhance its human resources function by continuously reviewing policies and putting procedures in place to better reflect the modern working environment and adapt to changing circumstances, like the onset of a global pandemic, for example. In 2020 (and this will continue throughout 2021) the key focus areas concerned actions to strongly support employee physical and mental well-being, growth and development.

Ethical business practices and transparent communications

We believe clear and transparent communication is the foundation for building trusted and long-term relationships with customers, employees and investors. Complying with laws and regulations is the minimum standard for us. Conducting business in a fair and ethical manner, operating with integrity and proactively participating fairly in competitive markets is what we do every day.

In 2020, there were no recorded incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labelling. However, there were a few non-material incidents of non-complete creditworthiness assessments. All of these incidents were rectified immediately.

At Ferratum, we have marketing, PR and social media guidelines in place that are reviewed periodically to ensure that they remain appropriate. The PR guidelines were updated in 2020 with the ambition to include sustainable yet engaging marketing. Though there are several country-specific requirements, the internal guidelines focus on matters of general application, such as the obligation not to advertise any of our services in a misleading, false or deceptive manner, and the importance of clearly detailing all relevant information to consumers, such as updated interest rate and fee information. We review and update our guidelines and marketing practices constantly to be in line with the best practices of responsible lending both globally and on a local level in each market where we operate. We also engage in dialogue with relevant customer organisations and other relevant stakeholders to develop and promote good business practices in the lending category.

Grievances

At Ferratum, we have in place processes and procedures to handle, within the shortest possible timeframes, complaints or other grievances communicated by our customers. Officers are specially assigned to handle complaints, facilitate a smooth flow of communication with the complainant and, more importantly, ensure that any necessary internal action is taken to address the complaint in a satisfactory and expedient manner. Although the exact processes vary from country to country and depend on the specific services provided, where internal mechanisms for the handling of complaints fail to reach the desired outcome, complainants are either referred to the possibility to pursue their complaint further with the designated authority, or through alternative dispute resolution mechanisms.

We have also developed a formal process for complaints and whistleblowing, to ensure management is made aware quickly and effectively of any relevant issues. No incidents of acting against laws and regulations or company policies were reported through our internal whistleblowing channel in 2020. In addition, there were no cases of corruption or legal actions for anti- competitive behaviour, anti-trust or monopoly practices recorded throughout the Group.

All employees also have the opportunity to submit feedback or ideas through the internal communications page of the Group and can choose to do so anonymously. The Group-level Code of Conduct was adopted in 2020.

In addition to responsible lending practices, our ethical business practices include considering the environment in our actions. Our banking is largely paperless, and our online banking services have a significantly lower negative impact on the environment in comparison to more traditional 'main street banks'. Ferratum recommends positive green action such as promoting video and phone conferencing instead of travel and encourages paperless work and the using of recyclable office supplies, where possible. Office managers are also encouraged to implement energy-saving measures. Due to remote work, the unprecedented year allowed us to reduce our own energy-savings further. The company also invests in initiatives that deliver social and environmental benefits. This investment is a mixture of cash, time volunteered and in-kind contributions.

We are cognisant of the fact that our own direct impact on the environment is quite contained, taking into account the level of energy and water consumption, services offered, and waste generated. Hence, it is difficult to conceive how our business model impacts environmental matters and therefore to devise specific policies with non-financial key performance indicators to monitor progress in this area.

Value for customers and investors

Financial responsibility and responsibly conducting our business is the cornerstone and prerequisite for social and environmental responsibility. At Ferratum, we have delivered 16 years of profitability and a variety of operations, offering a diversity of products to customers with different needs across our current 20 countries of operation. We have reached sustainable profit since our formation in 2005, and we remain committed to maintaining our solid performance and returns for investors.

Investors and customers alike benefit from our vision to be the most valued financial platform. While we have always strived to offer our customers the fastest, easiest and most convenient loans, now we bring this vision beyond lending into the whole financial field.

Smooth and safe services for customers

At Ferratum, we have developed a diverse range of products and services to suit the financial needs of consumers and businesses and to solve their daily problems quickly, digitally and at a reasonable price. We make sure that our customers' needs are met, with self-service available 24/7, customer service providing assistance during business hours and online surveys that are sent after each service contact. Furthermore, we have digitalised our customer service, with multiple new service channels as well as support via social media, and we have introduced new self-service portals where customers can receive answers to the most commonly asked questions. To make customer service even more efficient, we have implemented an AI virtual assistant which can handle 65% of customer queries without the need for customers to queue or to speak to customer service officers. With these improvements, we have reduced the need for contact with customer service by more than 40% through the utilisation of better design of customer journeys and more user-friendly self-service tools. In 2020, customer satisfaction levels improved to 92% (2019: 89%).

Effective IT platforms and trustworthy service go hand in hand. We conduct defect surveillance and monitor our servers constantly. With our Mobile Wallet and aim of solving our customers' real financial issues, we are involving our customers in our efforts, so they contribute to the evaluation of existing features, and also help us prioritise our roadmap and together with us plan our journey towards fulfilling our vision of "More than money to everyone".

EUR 7.4 million invested in research and development

According to our values, innovation means encouraging new ideas, supporting trial and error, and focusing on scalable solutions to ensure continued competitiveness.

Innovations are rolled out in each country of operation and business area every year. EUR 7.4 million was invested in research and development work (3.2% of revenues) in 2020. However, new ideas are rolled out with caution and by keeping quality in mind.

Financial value created in 2020

EUR 27.9 million in salaries and EUR 6.0 million in other benefits, EUR 1.3 million in taxes, EUR 1.5 million in interest paid on customer deposits, EUR 21.7 million in financing costs.

Next steps for Corporate Responsibility

Ferratum is currently renewing the Group's corporate social responsibility and sustainability focus to find appropriate ways to give back to society, support the communities that we operate in, have the appropriate practices and processes in place to support the most vulnerable customer groups in times of global crisis and to support relevant causes. In general, there is an increased focus in the Group on developing fully digital and paperless banking processes for customers, as well as a strong promotion of plastic reduction, recycling and energy saving in our offices.

There will be more emphasis on the use of big data and open banking possibilities, and the Group will continue strengthening its creditworthiness assessment processes to achieve the most optimal outcome.

As a responsible lender, our aim is to provide our customers with clear, transparent and data-driven product offers that enable them to make informed choices about their finances.

Moving forwards, we want to give our customers world-class financial services that also enable and empower them to make a positive impact on the world around them.

GRI Index
Ferratum does not yet report in accordance with GRI Core-standard thus please note that the following statements do not cover all GRI requirements.

GRI Standard		On page	Additional Information
Organizational profile			
102-1	Name of the organization	Cover page	
102-2	Activities, brands, products, and services	p.5-6, 14-23, 43	
102-3	Location of headquarters	p.5-6, 43	
102-4	Location of operations	p.5, 43	
102-5	Ownership and legal form	p.43, 57-59	
102-6	Markets served	p.5-6, 43	
102-7	Scale of the organization	p. 5, 12, 35, 52	
102-8	Information on employees and other workers	p. 35-36	
102-9	Supply chain	Not reported	Due to the business Ferratum is working in this has not been recocnized as a material issue.
102-10	Significant changes to the organization and its supply chain	p.8-10	
102-11	Precautionary Principle or approach	GRI Index	Due to the business Ferratum is working in, this hasn´t been recocnized as a material issue.
102-12	External initiatives	GRI Index	None.
102-13	Membership of associations	GRI Index	Ferratum is included in country specific assosications.
Strategy			
102-14	Statement from senior decision-maker	p. 8-10	
102-15	Key impacts, risks, and opportunities	p. 30, 37, 54	
Ethics and integrity			
102-16	Values, principles, standards, and norms of behavior	p. 10 & 31	
Governance structure			
102-18	Governance structure	Corporate governance statement	
Stakeholder engagement			
102-40	List of stakeholder groups	p. 31-32	
102-42	Identifying and selecting stakeholders	p. 31-32	
102-43	Approach to stakeholder engagement	p. 31-32	
102-44	Key topics and concerns raised	p. 31-32	

GRI Standard		On page	Additional Information
Reporting practice			
102-47	List of material topics	p. 33-34	
102-48	Restatements of information	GRI Index	No changes to the previous reporting period
102-49	Changes in reporting	GRI Index	No changes to the previous reporting period
102-50	Reporting period	GRI Index	No changes to the previous reporting period
102-51	Date of most recent report	GRI Index	26 March, 2020
102-52	Reporting cycle	GRI Index	Annually
102-53	Contact point for questions regarding the report	p. 28	
102-54	Claims of reporting in accordance with the GRI Standards	GRI Index	This is Ferratum´s second GRI-based report. Ferratum aims to move to reporting according to GRI Standards: Core option in the near future. This report does not currently meet the requirements of GRI's Core option.
102-55	GRI content Index	p. 39-41	
102-56	External assurance	GRI Index	The report has not been externally assured.
GRI 103: Management approach			
103-1	Explanation of the material topic and its Boundary	p. 33-34	
103-2	The management approach and its components	p. 34-38	
ECONOMIC STANDARDS			
GRI 201: Economic performance			
201-1	Direct economic value generated and distributed	p. 38	
GRI 205: Anti-corruption			
205-2	Communication and training about anti-corruption policies and procedures	p. 145	
205-3	Confirmed incidents of corruption and actions taken	p. 145	No incidents of corruption or bribery or other suspected violation of financial markets reported at Ferratum Group in 2020.
ENVIRONMENTAL STANDARDS			
GRI 307: Environmental compliance			
307-1	Non-compliance with environmental laws and regulations	GRI Index	No fines of sanctions for non-compliance with environmental laws
SOCIAL STANDARDS			
GRI 401: Employment			
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	GRI Index	Employee benefits vary from country to country, depending on national legislation. In the European countries we typically do not provide differentiated benefits to employees on the basis of their contract type. Certain differences in benefits may exist in relation to the length of employment.

GRI Standard		On page	Additional Information
GRI 405: Diversity and equal opportunity			
405-1	Diversity of governance bodies and employees	Corporate governance statement	
GRI 406: Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken	GRI Index	No cases of discrimination reported in 2020.
GRI 417: Marketing and labeling			
417-3	Incidents of non-compliance concerning marketing communications	GRI Index	In 2020 there were a few non-material incidents of non-complete adherence with guidelines from authorities in e.g related marketing or display of incorrect annual percentage rate (APR) amount. All of these incidents were rectified immediately.
GRI 418: Customer privacy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	GRI Index	In 2020, no complaints were received.
GRI 419: Socioeconomic compliance			
419-1	Non-compliance with laws and regulations in the social and economic area	GRI Index	There were no material sanctions for non-compliance with laws and/or regulations in the area of lending in 2020.

Board of Director's Report 2020 Unaudited

Company structure and business model

Ferratum Oyj and its subsidiaries, form the Ferratum Group ("Ferratum" or the "Group"), which is a leading international provider of mobile and digital financial services for consumers and small businesses. We have built our online financial ecosystem for, and with our customers during our 16 years of operations. Our financial ecosystem is designed to transcend the hassle of physical banking and financial transactions and transform it into a paperless and borderless real-time experience. Our data-driven approach to credit-scoring and knowing our customers puts us at the forefront of the financial revolution.

Ferratum, headquartered in Helsinki, Finland, was established in 2005 and serves more than 530,000 active customers (as of 31 December 2020) and has expanded its operations to 20 countries across Europe, North America, South America, Africa and the Asia-Pacific region.

Ferratum Bank p.l.c., is a wholly owned subsidiary of Ferratum Oyj. The bank is licensed by the Malta Financial Services Authority (MFSA) allowing Ferratum to passport financial services and products to all European Economic Area (EEA) member states.

Over the past 16 years, we have developed proprietary credit scoring algorithms that can deliver instant credit decisions digitally, allowing us to make fully risk-assessed lending decisions at a pace unmatched by the traditional banking and lending industries. Our technology and services have been built around real customer behaviour and experience, enabling us to offer secure, easy-to-use, real-time digital products. We can also diversify the range of products available in our countries of operation, as we quickly understand the credit behaviour of customers in each new market. Using big data technology, and by centralising IT systems and core functions, such as customer service and collections as the Group has expanded geographically, we have achieved balanced, profitable growth, underpinned by the ability to rapidly launch innovative new products in new countries and markets.

The Group offers a comprehensive product portfolio to both retail and business customers. The offering includes consumer credits in amounts varying between EUR 25 and EUR 20,000 and instalment loans for small businesses up to EUR 350,000 with a term of 6 to 24 months.

Ferratum's vision is to innovate and to operate a proprietary global digital financial platform, enabling the Group not only to distribute financial services directly to consumers and businesses, but leveraging the technology to partners with "plug-and-play" and "Banking-as-a-Service" concepts.

On the path to becoming the "Most valued Financial Platform", Ferratum has developed its own proprietary core mobile banking platform, the Mobile Wallet. The Mobile Wallet will be rolled-out to Germany and Finland during 2021 and Ferratum will position the Mobile Wallet into the centre of its customer communications.

Ferratum Group is listed on the Prime Standard of Frankfurt Stock Exchange under the symbol 'FRU'.

Financial highlights

Financial highlights, EUR '000	Jan - Dec 2020	Jan - Dec 2019
Revenue	229,565	293,104
Operating profit	22,977	45,532
Profit before tax	1,777	27,543
Net cash flows from operating activities before movements in loan portfolio and deposits received	110,681	135,091
Net cash flow from operating activities	140,360	22,534
Net cash flow from investing activities	(13,701)	(7,316)
Net cash flow from financing activities	(43,313)	27,990
Net increase in cash and cash equivalents	83,345	43,208
Profit before tax %	0.8	9.4

Financial highlights, EUR '000	31 Dec 2020	*31 Dec 2019 Restated	*1 Dec 2019 Restated
Loan and advances to customers	360,955	386,167	320,538
Deposits from customers	339,522	242,161	183,405
Cash and cash equivalents	236,564	155,518	115,559
Total assets	675,082	614,923	496,915
Non-current liabilities	242,959	174,236	138,276
Current liabilities	306,554	315,453	254,536
Total equity	125,568	125,235	104,103
Equity ratio %	18.6	20.4	20.9
Net debt to equity ratio	2.49	2.67	2.66

*Restated due to change of accounting policies and correction of an error. See notes 2.22 and 2.23 for details.

Calculation of key financial ratios

$$\text{Equity ratio (\%)} = 100 \times \frac{\text{Total equity}}{\text{Total assets}}$$

$$\text{Net debt to equity ratio} = \frac{\text{Total liabilities – cash and cash equivalents}}{\text{Total equity}}$$

$$\text{Profit before tax (\%)} = 100 \times \frac{\text{Profit before tax}}{\text{Revenue}}$$

$$\text{Impaired Loan coverage ratio (\%)} = 100 \times \frac{\text{Credit loss reserves}}{\text{Gross loans and advances to customers}}$$

Products and services

Ferratum provides consumer customers with digital borrowing solutions to suit a wide range of financial needs and circumstances. Microloans offer quick and straightforward access to small cash amounts to meet immediate, short-term financial needs ranging from EUR 25 to EUR 1,000 with durations of 7 to 90 days; PlusLoan is a more flexible loan product, ranging between EUR 300 and EUR 5,000 and a duration between 2 months to 3 years, which is repayable in instalments to help customers to budget their finances. Credit Limit is a digital revolving credit line offering up to EUR 4,000. Borrowers are granted a maximum credit limit, which can be used or repaid at any time. Borrowers are only charged for the funds they withdraw, helping customers to budget according to their cash flow. Primeloan, our newest product, is a longer-term consumer lending product ranging from EUR 3,000 to EUR 20,000 with a duration between 1 to 10 years, enabling customers to budget for more significant purchases such as a car or home improvements.

In 2015, Ferratum successfully expanded into small business lending, and now provides loans under the brand CapitalBox of up to EUR 350,000 with a term of 6 to 24 months. We continue to evolve and expand in order to fulfill our long-term vision of becoming “the most valued financial platform”, offering an ever-wider range of financial products. The new generation of our Mobile Bank, the Mobile Wallet, is an enhanced and broadened version of the original Mobile Bank, bringing customers greater possibilities and functionalities to improve their financial lives. The Wallet was during 2020 launched to the public in Latvia and will become operational in further countries, including Finland and Germany, during 2021. Ferratum’s purpose-built IT platform, FerraOS, supports the scalable expansion of Ferratum on all fronts of our growth and evolution.

Our banking license enables passporting of financial services to all EEA member states. Offering real-time digital payments and transfers, and available in a range of currencies, the Mobile Wallet offers an extensive range of banking services including current accounts, overdrafts, savings, term deposits and a multi-currency contactless debit card, giving customers the freedom to manage their finances, via their mobile phone, whenever they need to, and wherever they go.

Product offering

Microloan
Loan amount 25 - 1,000
Duration 7 - 90 days
Bullet loan
Average loan size 279€
Average term 30 days

PlusLoan
Loan amount 300 - 5,000
Duration 2 - 36 months
Multipart instalment
Average loan size 927€
Average term 416 days

Primeloan
Loan amount 3,000 - 20,000
Term 1 - 10 years
Multipart instalment
Average loan size 5,925€
Average term: 5.1 years

Credit Limit
Loan amount, up to 4,000
Open ended
Digital revolving credit line
Average loan size 1,521€
Average term: open ended

CapitalBox
SME loans
Loan amount up to 350,000
Duration 6 - 24 months
Multipart instalment
Average loan size 15,842€
Average term 482 days

Ferratum Bank
Deposits
Mobile Wallet

Key developments and process in 2020

A resilient and flexible business model resulted in a solid performance in a year hit by the COVID-19 pandemic

The year 2020 was highly characterised by the impact of the COVID-19 pandemic which also affected Ferratum's business activities. In a year unlike any other during the past century, Ferratum's business model showed its resilience and flexibility: Ferratum managed to protect its business model as well as to successfully reduce its cost base and navigate through the year with a substantial reduction in both operating expenses and risk appetite. These reductions helped contribute to a solid business performance in the business year 2020.

The Group's revenues totaled EUR 229.6 million, a decrease of 21.7% compared to 2019 (EUR 293.1 million). The decrease in revenues was a result of stricter scoring measures and reduced lending volumes, a strategic decision made by management due to the challenges caused by the pandemic. In addition, revenues were further reduced by the reduction in the number of countries in which the Group operates. Prior to the COVID-19 pandemic, Ferratum had initiated actions to streamline the number of countries in which it operates. This resulted in the suspension of lending in Canada, New Zealand, Poland, Russia and Spain in 2020.

Focus on cost cutting measures resulted in substantial cost reductions

In 2019, Ferratum's management initially introduced measures to reduce the Group's overall cost base. In 2020, cost reductions became one of the Group's key priorities as a reaction to the negative impact of the COVID-19 pandemic. Overall, the Group succeeded in cutting its cost base (excluding impairments and lending costs) year on year by 23.2% to EUR 100.5 million (2019: EUR 131.2 million). The Group's management implemented strict cost cutting measures and managed to decrease personnel expenses by -22.7% to EUR 33.9 million (2019: EUR 43.9 million). In addition, marketing expenses were reduced by -40.5% to EUR 23.1 million (2019: EUR 38.8 million). It should be emphasised that marketing expenses may increase again at the time when Ferratum increases its risk appetite and lending volume.

Along with significant cost reductions, impairments on loan declined by 12.1% to EUR 92.9 million (2019: EUR 105.7 million), driven by the Group's cautious loan provisioning and conservative risk appetite.

Thus, in 2020, the Group was able to maintain a positive EBIT of EUR 23.0 million (2019: EUR 45.5 million). The decline in EBIT, in comparison to 2019, was a result of three main factors:

1. The management decision, which had been made prior to the outbreak of the COVID-19 pandemic, to suspend lending in selected markets.

2. A pandemic-related decrease in revenues as a result of stricter scoring and subsequentially reduced loan disbursement volumes.

3. Impairment charges, especially during Q1 2020, when a pandemic-related impairment charge of EUR 7.8 million was made due to the deteriorating macroeconomic forecast.

In 2020, EBT stood at EUR 1.8 million (2019: EUR 27.5 million).

Continued strong balance sheet

At the end of 2020, Total Assets stood at EUR 675.1 million and were 8.9% or EUR 60.2 million higher compared to the corresponding figure the year before (2019: EUR 614.9 million). Non-current Assets stood at EUR 59.9 million (2019: EUR 56.6 million) and reflected 8.9% of Total Assets.

Substantial increase of Cash and Cash Equivalents in 2020

As of December 31, 2020, Current Assets increased by 9.2% or EUR 56.8 million to EUR 615.1 million (2019: EUR 558.3 million) and represented 91.1% of Total Assets. The major drivers were Cash and Cash Equivalents and Loans and Advances to Customers.

Given the uncertainties initiated by the COVID-19 pandemic, liquidity management had a high priority for the Group throughout 2020. Ferratum managed to increase Cash and Cash Equivalents by 52.1% to EUR 236.6 million (2019: EUR 155.5 million) which reflected 35.0% of Total Assets.

Loans and Advances to Customers decreased by -6.5% or EUR 25.2 million to 361.0 million by the end of 2020 (2019: EUR 386.2 million). The decrease partially reflects Ferratum's conservative loan provisioning strategy and reduced risk appetite, triggered by the uncertainties related to COVID-19.

Equity-ratio remained strong at 18.6%

Total Equity remained strong at EUR 125.6 million as of December 31, 2020 (2019: EUR 125.2 million) and the figure corresponds to an equity-ratio of 18.6% (2019: 20.4%).

Total non-current Liabilities increased from EUR 174.2 million at the end of 2019 to EUR 243.0 million at the end of 2020, reflecting 36.0% of Total Equity and Liabilities. The increase is mainly related to amounts owed to customers which were up by EUR 63.7 million in 2020. The position reflects customer deposits with a term longer than 12 months.

At the end of the business year 2020, Borrowings stood at EUR 174.8 million (2019: EUR 169.2 million). Long-term Borrowings include two bonds with a total net volume of EUR 180 million that expire in 2022 and 2023.

Repayment of Short-term Borrowings

Total Current Liabilities decreased slightly by -2.8% to EUR 306.6 million (2019: EUR 315.5 million). Short-term borrowings declined by EUR 47.5 million. In 2020, Ferratum repaid its short-term Borrowings completely and did not raise new Borrowings. Therefore, short-term Borrowings were at EUR 0 at the end of 2020.

Deposits from customers increased by 40.2% from EUR 242.2 million in 2019 to EUR 339.5 million by the end of 2020. In addition, the maturity structure of customer deposits improved substantially.

Strong Net Debt to Equity Ratio

Net Debt to Equity decreased from 2.67 by the end of 2019 to 2.49 by the end of 2020.

Operational development

In 2019, Ferratum's management introduced a plan to streamline and automise the Groups functions. Due to the outbreak of the COVID-19 pandemic, this earlier decision was reinforced and accelerated in early 2020, as management introduced further steps in order to mitigate the negative effects the pandemic would have on the Group's business performance. The action plan, introduced in early 2020, included four areas of particular focus:

1. **Liquidity management:** Ferratum increased its liquidity position and managed its term deposit base successfully.

2. **Risk control:** The Group decreased its risk appetite in early 2020 to mitigate for COVID-19 risk-related uncertainties. Furthermore, the Group focused on loan provisioning to higher quality customers. Consequently, the underlying payment behaviour of Ferratum's customers remained solid throughout the year. The rigorous scoring resulted in a decrease in Ferratum's net credit volume which on December 31, 2020 was below 2019 year-end figures.

3. **Reduced cost base:** Ferratum managed to reduce its operating expenses by 19.6%, equal to EUR 27.8 million, compared to 2019 (2019: EUR 142.0 million). The reduction was driven by the decrease of 22.7% in personnel expenses (2020: EUR 33.9 million vs 2019: EUR 43.9 million), 40.6% in selling and marketing expenses (2020: EUR 23.1 million vs 2019: EUR 38.8 million) and 23.1% in lending costs (2020: EUR 13.7 million vs 2019: EUR 17.8 million).

4. **Go for opportunities:** The Group expanded its SME lending branch, CapitalBox, by an acquisition in the Netherlands and increased its focus on the Primeloan product which contributed to an acceleration in Primeloan sales in H2 2020.

The Group successfully acted on all four areas in its action plan. The rapid action taken by management secured the stability of Ferratum during a turbulent year.

Throughout 2020, Ferratum continued to work on product initiatives supporting its strategy to increase focus on SME, Primelending and Mobile Wallet. The SME segment was in Q2 2020 rebranded CapitalBox and in Q3 2020 Ferratum acquired the lending business of SpotCap Netherlands B.V. The company SpotCap NL had been active in the Dutch market since 2015 and originated close to EUR 150 million in credit lines. SpotCap NL has, in addition, a broad partner network across the country which includes many specialised SME advisory firms. The SpotCap NL distribution channels will allow for CapitalBox to increase its average loan size further. While the Group's total revenue decreased during the year Ferratum's Primeloan product was able to grow further in 2020, reaching EUR 3.6 million in revenues (2019: EUR 3.5 million) and was additionally introduced to the Swedish market.

Throughout the year, Ferratum streamlined the number of countries in which it operates and increased its focus in the markets in which its business model has proven most effective.

Treasury update

Ferratum managed to increase its cash position by 52.0% to EUR 236.6 million (2019: EUR 155.5 million) at the end of 2020. Ferratum continued to strengthen its funding base through the shift in deposit funding towards longer-term deposits. At the end of 2020 the Group's deposit base totaled EUR 339.5 million, an increase of 39.8% compared to 2019 (2019: 242,161), of which EUR 63.7 million is classified as long term deposits.

Ferratum Bank p.l.c. (a wholly owned subsidiary of the Group and a credit institution licensed by the Malta Financial Services Authority (MFSA)) repaid an EUR 40 million, 6.25% p.a. above 3-month EURIBOR (incl. floor at 0%) senior unsecured bond (ISIN: FI4000232830) in March 2020.

Fitch Ratings affirmed in March 2020 the Long-Term Issuer Default Rating (IDR) of both Ferratum Oyj and the senior unsecured callable floating rate bond, issued by Ferratum Capital Germany GmbH (ISIN: SE0012453835), at 'BB-'. The Outlook on the Long-Term IDR was Stable. In April 2020, the rating was downgraded to B+ due to COVID-19-related risks. Fitch assessed that the Outlook on Ferratum's Long-Term IDR was Negative.

In April 2020, Creditreform Rating downgraded the rating of Ferratum Oyj from BBB- to BB with a negative outlook. Creditreform Rating stated in their rating letter that the current rating assessment was particularly characterised by the serious global disruption as a consequence of the then forthcoming global financial and economic crisis.

The Board of Directors was authorized at the 2020 Annual General Meeting to repurchase a maximum of 1,086,198 shares in Ferratum Oyj, which corresponds approximately to 5% of all shares in the company. This authorization is on force until the next AGM, however, no longer than until 30 June 2021.

The Board of Directors were, in addition, authorized to issue a maximum of 3,258,594 shares, which corresponds approximately to 15% of the company's total amount of shares. The Board of Directors may issue either new shares or transfer existing shares held by the company. The authorisation also includes the right to issue special rights, in the meaning of Chapter 10 Section 1 of the Finnish Limited Liability Companies Act, which entitles the Company's new shares or the Company's own shares held by the Company against consideration. Shares that may be subscribed for by virtue of the special rights entitling to shares are included in the aforesaid maximum number of shares.

The authorisation entitles the Board to decide on a directed share issue and issue of special rights in deviation from the pre-emptive rights of shareholders subject to the requirements set out in the Finnish Limited Liability Companies Act. The Board can use the authorisation in one or several tranches, and it may be used to all purposes decided by the Board of Directors, such as developing the Company's capital structure, financing or carrying out acquisitions or other arrangements, or as a part of the Company's incentive schemes. The authorisation is in force until the next Annual General Meeting, however, no longer than until 30 June 2021.

Personnel

At year-end 2020, Ferratum employed 640 people, compared to 834 people in 2019. The average number of employees in 2020 is equal to 695 (2019: 860). Payroll expenses amounted to EUR 33.9 million (2019: EUR 43.9 million).

Daniel Kliem was appointed as Chief Risk Officer for the Group, succeeding Dr. Clemens Krause, who will continue to serve as a member of the Board of Directors of Ferratum. Daniel joined Ferratum on October 1, 2020 and was also appointed as a member of Ferratum's Leadership Team with effect on the same date.

Julie Chatterjee was appointed as CCO & Deputy CEO of Ferratum Bank plc. on 1 December 2020. Julie was also appointed as a member of Ferratum's Leadership Team with effect on the same date. Her primary focus will be on the development and roll-out of the Mobile Wallet, a field in which she has substantial background expertise. Julie holds 16 years of experience within the retail & banking industry. She has hands-on experience in consumer lending, credit card and the insurance business, with an exposure to e-banking and mobile banking, while holding numerous positions at OKQ8, including CEO for OKQ8 Bank.

Shaun Vella, born in 1984, joined the Ferratum Group Leadership Team in November 2020. Shaun joined Ferratum in 2019 as a seasoned HR professional, having previously worked in various senior HR roles with leading hospitality and manufacturing companies including McDonald's, Coca Cola and Kempinski. Shaun is the Group's Chief HR Officer and holds a Bachelor's degree in Psychology and an Executive Master's in Business Administration from the University of Malta.

Aksels Neilands, born in 1987, joined the Ferratum Group in 2012 as Marketing Manager for Latvia. Across the years, Mr. Neilands has worked for the Group in various marketing related positions including Lead Generation Team Lead, Product Marketing Manager, and Deputy Head of Marketing and Customer Experience. Since the beginning of 2020, Mr. Neilands has held the position of Group CMO and joined the Group Leadership Team in November 2020. Mr. Neilands studied economics and marketing at the University of Latvia in Riga, Latvia.

Saku Timonen, the Group's Chief Commercial Officer stepped down from the Leadership Team in December 2020. Saku had been a member of the Leadership Team since 2009 when he joined Ferratum. In his new role as Tribe Deputy CEO, Saku will focus on the development and roll out of the Group's digital platform.

Significant investments

The primary use of funds at Ferratum is for lending to its customers. While the total net portfolio decreased by EUR -25.2 million during the year from EUR 386.2 million to EUR 361.0 million, the group lent out a total of EUR 718.5 million. Ferratum also continued its investments into IT platforms and infrastructure, investing a total of EUR 14.0 million (2019: EUR 12.6 million) into immaterial assets.

Changes in group structure

New group companies

During the period Ferratum acquired 99% of the shares of the Indian Bwahana Securities and established Ferratum Portfolio S.à r.l. in Luxemburg. The Estonian subsidiary Global Guarantee OÜ demerged into five new companies: Guarantee Services OÜ, fe Business Services OÜ, Guarantee Portfolio OÜ, Guarantee Portfolio Management OÜ and Global Guarantee OÜ.

Changes in company names

Ferratum rebranded its SME lending business to CapitalBox. Accordingly the names of two companies were changed: Ferratum Sweden AB was renamed CapitalBox AB and Ferratum Germany GmbH was renamed CapitalBox GmbH.

Sold and liquidated group companies

During the period the groups operational Russian subsidiaries Ferratum Russia LLC and Rus-Kredit OOO were dissolved and Estonian subsidiaries Guarantee Portfolio OÜ, Guarantee Portfolio Management OÜ and Global Guarantee OÜ sold. Also, non-operational companies Ferratum Capital Poland S.A., Ferratum Chile Ltda and Ferratum Georgia LLC were dissolved.

Risk factors and risk management

Ferratum takes moderate and calculated risks in conducting its business. The prudent management of risks minimises the probability of unexpected losses and threats to the reputation of the Group. Therefore, it can enhance profitability and shareholder value.

The Board of Directors monitors operations regularly and is ultimately responsible for adequate risk management and ensuring that the Group has access to the appropriate software, including instructions on controlling and monitoring risks. The CEO of Ferratum Group is responsible for the daily operations of the Group. Each member of the Leadership Team ultimately bears responsibility for identifying and controlling the risks related to their functions in line with instructions from the Board.

Ferratum proactively follows all legal changes that might occur in the countries it operates in and adjusts its operations accordingly, while always considering customer and user experience.

The risks of Ferratum's operations can be divided into three main categories: credit risks (receivables from customers), market risks (including foreign exchange risks, interest rate risks and other price risks) and operational risks (such as IT risks, legal and regulatory risks and other operational risks).

Exposure to credit risks arises principally from Ferratum's short-term lending activities. The risk is managed by proprietary risk management tools which assist subsidiaries in evaluating the payment behaviour of customers. These tools, which are continuously updated and refined, ensure that only solvent customers are accepted, thereby controlling the level of credit losses.

The scoring system and the credit policies of the Group's subsidiaries are managed by the central risk department. The risk department is also responsible for the measurement of the payment behaviour of the credit portfolio on a daily, weekly and monthly basis.

Market risks arise from open positions in interest rate and currency products. They are managed by the central treasury function, which is also, in close cooperation with FP&A, responsible for Group cash flow planning and ensures the necessary liquidity level for all Group entities. Ferratum uses derivative financial instruments to hedge certain risk exposures (see note 3: Financial Risk Management).

Operational risks, IT risks, as well as legal and regulatory risks, are of high relevance for Ferratum. Regulatory and legal risks are managed centrally by the Group's legal function in close cooperation with the authorities in the respective countries and relevant stakeholders. Potential or foreseeable changes in applicable laws are analysed on an ongoing basis and any necessary modifications to Ferratum's operations are implemented proactively.

The COVID-19 pandemic

Ferratum decided, in the early stages of the COVID-19 pandemic, to limit lending activities to higher risk customers in both the consumer and SME lending segments. After having revised its loan policies and scoring algorithms in Q2 2020, to improve underwriting in times of such high volatility, Ferratum found itself in Q3 2020 in a healthy position to actively target customers that were in a stable financial situation despite the ongoing pandemic.

The adjusted algorithms and scoring policies helped Ferratum maintain and even improve payment behaviour in certain countries during Q2 2020, and this healthy payment behaviour has been maintained during Q3 2020 and Q4 2020, while disbursement rates have increased as demand has returned in key markets.

The Group continues to tightly monitor its underwriting performance for any early indications of deteriorating payment behaviour and properly judge the impact of additional governmental measures as COVID-19 cases continue to increase in Europe in 2021.

Due to this combination of tighter monitoring and a better understanding of the economic impacts of COVID-19-related lockdowns, Ferratum has maintained healthy portfolio quality through 2020 and has not seen any significant impact on materialised credit losses.

Ferratum manages its risk provisioning in accordance with IFRS 9, that relies on a forward oriented methodology. Based on future macroeconomic indicators and previously recorded correlations, the reserving model is adjusted in accordance with the macroeconomic outlook. Based on this rigorous reserving model, Ferratum increased its credit loss provisioning by EUR 7.8 million in Q1 2020, which remained unchanged as of December 31, 2020. In addition, Ferratum suppressed its lending throughout 2020 by establishing stricter requirements for new clients, which resulted in an increase of the average quality of the client base.

Ferratum retained its current provisioning unchanged after having taken cognisance of the following 12-months economic forecasts for 2021, thereby assessing the impact of the COVID-19 outlook for 2021 macroeconomic forecasts. Accordingly, the Expected Credit Loss model inputs utilised during Q1 2020 were deemed adequate to determine its Expected Credit Losses based on management judgement, and management will continue to closely monitor the economic forecasts releases and adjust the model inputs and assess its outcomes in the light of revised macroeconomic data and other quantitative and qualitative information.

Subsequent events after period end

Fitch Ratings affirmed, in March 2021, the Long-Term Issuer Default Rating (IDR) at ‘B+’ with a Negative Outlook and the long-term rating of the senior unsecured notes issued by Ferratum Capital Germany GmbH at ‘B+’/RR4.

Ferratum expects that the ongoing COVID-19 pandemic may have a material impact on its earnings during 2021. Although the more recent, and more contagious virus mutations, will continue to cast a shadow of uncertainty throughout 2021, the Group believes that by utilising the experience it gained during 2020 it will be able to continue as a going concern. In addition, the Group remains confident that there are no critical risks associated with the organisation or the liquidity of its operations.

Changes in shareholding

On 23 March 2020, Ferratum received official notification from Universal-Investment-Gesellschaft mbH that the shareholding of SPSW Capital GmbH had reached the 10% threshold on 19 March 2020.

On 9 April 2020, the Group received a notification from Universal-Investment-Gesellschaft mbH, stating that the company’s ownership in Ferratum Oyj had, on 6 April 2020, decreased below the threshold of 10%.

A further notification from Universal-Investment-Gesellschaft mbH was received on 29 May, in which Universal-Investment-Gesellschaft mbH informed Ferratum that they had exceeded the 10% threshold on 26 May 2020.

Universal-Investment-Gesellschaft mbH sent Ferratum a fourth notification on 26 November 2020, stating that the shareholding on 23 November 2020, had moved below the 10% threshold to 9.987%.

Shares of the company

Largest shareholders The following table summarizes the largest shareholders excluding nominee registered shares. Shareholders exceeding a five percent ownership in Ferratum Oyj on December 31, 2020 are included in the table:

Largest shareholders	Shares	% of shares	% of voting rights
Jokela, Jorma*	11,987,374	55.18 %	55.55 %
Universal-Investment-Gesellschaft mbH**	2,167,660	9.98 %	10.05 %
Dorval AM**	1,105,012	5.09 %	5.12 %
Ferratum Oyj	146,200	0.67 %	0.00 %
Timonen, Saku	93,685	0.43 %	0.43 %
Vanhala, Juhani	84,458	0.39 %	0.39 %
Jokisaari, Milla	27,417	0.13 %	0.13 %
Pääkkönen, Roope	21,645	0.10 %	0.10 %
Krause, Clemens	18,923	0.09 %	0.09 %
Kalliola, Sami	14,232	0.07 %	0.07 %
Sjöman, Caj-Eric	13,810	0.06 %	0.06 %
Tiukkanen, Ari	12,737	0.06 %	0.06 %
Total	**15,693,153**	**72.24 %**	**72.05 %**

*Jokela, Jorma holds directly 155,500 shares (0.72%), through Jokela Capital OÜ 5,743,139 shares (26.57%) and through JT Capital Limited 6,058,735 shares (27.89%). In total Jorma Jokela's shareholding is 11,987,374 shares which corresponds to 55.18% of all shares of the company. The shares held by Jokela Capital OÜ and JT Capital Limited are nominee-registered.

**according to latest notification of major shareholdings

Holdings of the Board of Directors in Ferratum Oyj on December 31, 2020

Name		Holdings	% of holdings
Jokela, Jorma*	Member	11,987,374	55.18 %
Liigus, Lea	Member	123,037	0.57 %
Krause, Clemens	Member	85,356	0.39 %
Vanhala, Juhani	Chairman	84,458	0.39 %
Strange, Frederik	Member	1,650	0.01 %
Wang, Christopher	Member	0	0.00 %
Challagalla, Goutam	Member	0	0.00 %
Cusumano, Michael	Member	0	0.00 %
Total		**12,281,875**	**56.54 %**

*Jokela, Jorma holds directly 155,500 shares (0.72%), through Jokela Capital OÜ 5,743,139 shares (26.57%) and through JT Capital Limited 6,058,735 shares (27.89%). In total Jorma Jokela's shareholding is 11,987,374 shares which corresponds to 55.18% of all shares of the company. The shares held by Jokela Capital OÜ and JT Capital Limited are nominee-registered.

Holdings of the Leadership Team in Ferratum Oyj on December 31, 2020

Name		Holdings**	% of holdings
Jokela, Jorma*	Chief Executive Officer	11,987,374	55.18 %
Liigus, Lea	Head of Legal and Compliance	123,037	0.57 %
Egger, Bernd	Chief Financial Officer	24,408	0.11 %
Kalliola, Sami	Head of Strategic Partnerships	19,182	0.09 %
Kumpulainen, Antti	CCO & Deputy CEO of Ferratum Bank	16,552	0.08 %
Tiukkanen, Ari	Chief Operations Officer	12,737	0.06 %
Kajakas, Kristjan	Business Unit Director Revolving Loans	12,688	0.06 %
Hansson-Tönning, Adam	Head of Financial Planning and Analysis	11,706	0.05 %
Donnely, Scott	Business Unit Director SME Lending	9,411	0.04 %
Neilands, Aksels	Chief Marketing Officer	923	0.00 %
Kliem, Daniel	Chief Risk Officer	0	0.00 %
Vella, Shaun	Chief HR Officer	0	0.00 %
Chatterjee, Julie	CCO & Deputy CEO of Ferratum Bank	0	0.00 %
Total		**12,218,018**	**56.24 %**

*Jokela, Jorma holds directly 155,500 shares (0.72%), through Jokela Capital OÜ 5,743,139 shares (26.57%) and through JT Capital Limited 6,058,735 shares (27.89%). In total Jorma Jokela's shareholding is 11,987,374 shares which corresponds to 55.18% of all shares of the company. The shares held by Jokela Capital OÜ and JT Capital Limited are nominee-registered.
**includes both shares and options

Distribution of holdings by number of shares held on December 31, 2020

Lower Limit	Number of shareholders	% of shareholders	Total number of shares	% of share capital
1-100	14	16.28 %	548	0.00 %
101-500	27	31.40 %	6,435	0.03 %
501-1 000	13	15.12 %	8,667	0.04 %
1 001-5 000	11	12.79 %	25,739	0.12 %
5 001-10 000	3	3.49 %	22,373	0.10 %
10 001-50 000	11	12.79 %	174,126	0.80 %
50 001-100 000	2	2.33 %	178,143	0.82 %
100 001-500 000	4	4.65 %	663,143	3.05 %
500 001 and over	1	1.16 %	20,644,786	95.03 %
Total	**86**	**100.00 %**	**21,723,960**	**100.00 %**
Nominee registered	5		21,028,125	96.80 %
Treasury shares held by Ferratum Oyj	1		146,200	0.67 %

Distribution of holdings by group on December 31, 2020

Sector	Total number of shares (book-entries)		Total number of shares (nominee-registered)		Total number of shares	% of share capital
Non-financial corporations	146,680	0.68 %	0	0.00 %	146,680	0.68 %
Financial and insurance corporations	3,496	0.02 %	380,443	1.75 %	383,939	1.77 %
Households	539,659	2.48 %	0	0.00 %	539,659	2.48 %
Shares registered in the member states of the Euro area	0	0.00 %	20,647,682	95.05 %	20,647,682	95.05 %
Rest of the world	6,000	0.03 %		0.00 %	6,000	0.03 %
Total	**695,835**	**3.20 %**	**21,028,125**	**96.80 %**	**21,723,960**	**100.00 %**

Board of Directors' Proposals for Profit Distribution

The loss for the 2020 financial year of Ferratum Oyj amounted to EUR 4,994,188. Distributable equity of the parent company at the end of the financial year stood at EUR 64,349,037. The Board of Directors proposes to the Annual General Meeting that, for the financial year ended 31 December 2020, no dividends will be distributed and that the loss for 2020 will be carried forward.

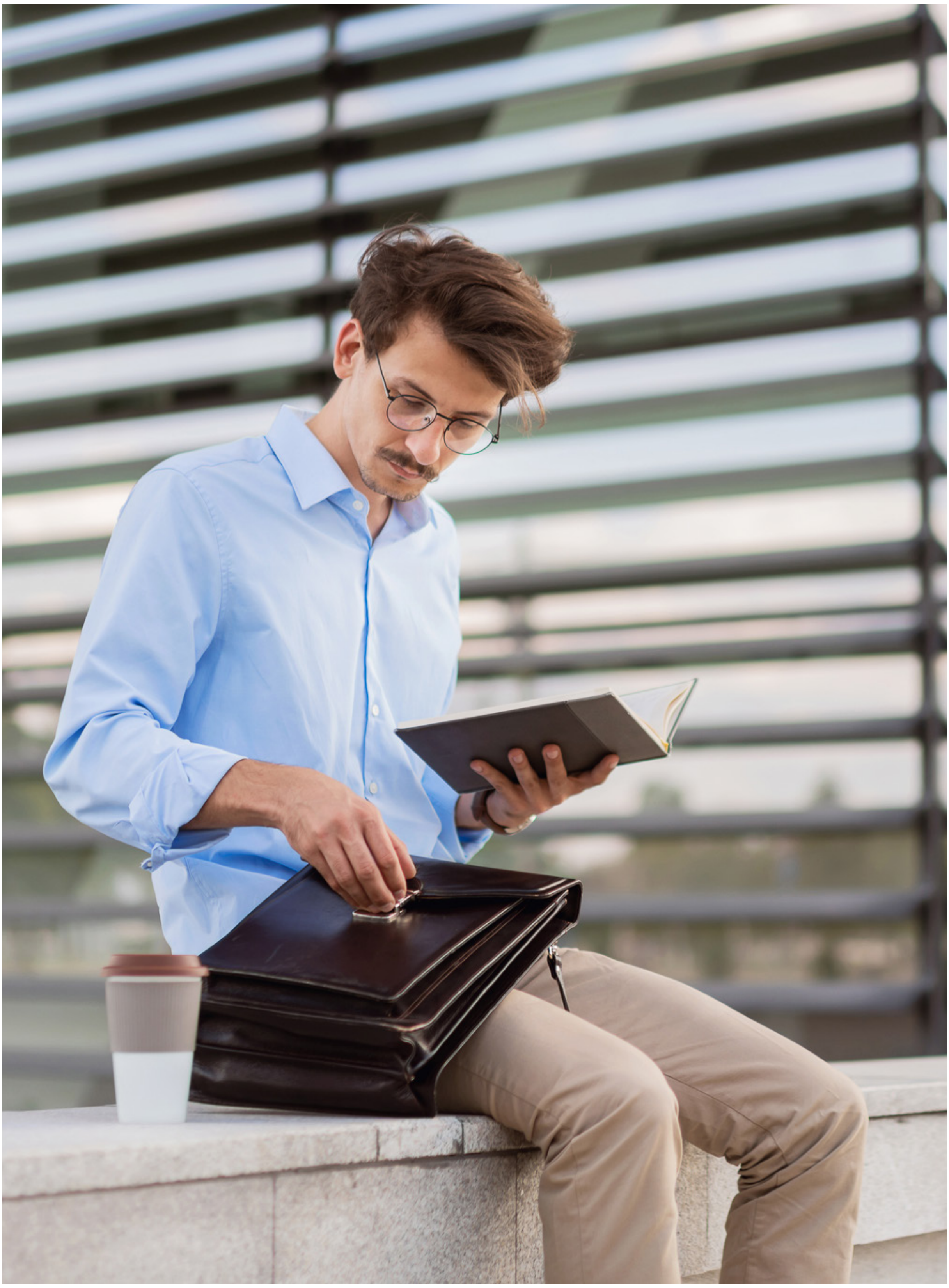
Corporate Governance Statement

Ferratum's Corporate Governance Statement has been prepared in accordance with the reporting requirements set out by the Corporate Governance Code 2020 issued by the Finnish Securities Market Association. The Corporate Governance Statement is published separately from the Board of Directors' report and it is available on Ferratum's website at: www.ferratumgroup.com/en/about-us/corporate-governance/corporate-governance-statement.

Company Management and Auditor

Juhani Vanhala served as Chairman of the Board. Other members of the Board were Jorma Jokela, Lea Liigus, Michael A. Cusumano, Goutam Challagalla, Dr. Clemens Krause, Frederik Strange and Christopher Wang. Kati Hagros stepped down from the Board in June 2020 after the 2020 Annual General Meeting. The Chief Executive Officer is Jorma Jokela. The 2020 Annual General Meeting re-appointed PricewaterhouseCoopers Oy as the company's auditor, with APA Jukka Karinen as the auditor with principal responsibility.

Financial statements 2020 Audited



Consolidated income statement for the period 1 January to 31 December, 2020

		Year ended 31 December	
EUR '000	Note	2020	*2019 Restated
Revenue	5	229,565	293,104
Other income		503	130
Impairments on loans	3	(92,894)	(105,684)
Operating expenses:			
Personnel expenses	6	(33,948)	(43,925)
Selling and marketing expenses		(23,078)	(38,828)
Lending costs		(13,719)	(17,849)
Other administrative expenses		(1,366)	(1,678)
Depreciations and amortization	7	(13,354)	(10,822)
Other operating expenses	8	(28,730)	(28,916)
Operating profit		**22,977**	**45,532**
Finance income	9	521	256
Finance costs	10	(21,722)	(18,244)
Finance costs – net		(21,201)	(17,989)
Profit before income tax		**1,777**	**27,543**
Income tax expense	11	(1,292)	(4,521)
Profit for the period		**485**	**23,022**
Earnings per share, basic	13	0.02	1.07
Earnings per share, diluted	13	0.02	1.07
Profit attributable to:			
– owners of the parent company		485	23,022
– non-controlling interests (NCI)		0	0

Consolidated statement of comprehensive income for the period 1 January to 31 December, 2020

		Year ended 31 December	
EUR '000	Note	2020	*2019
Profit for the period		485	23,022
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Translation difference		177	428
Total items that may be subsequently reclassified to profit or loss		177	428
Total comprehensive income		**662**	**23,450**
Allocation of total comprehensive income to:			
– owners of the parent company		662	23,450
– non-controlling interests (NCI)		0	0

The notes 1 - 28 are an integral part of these financial statements.

*Restated due to correction of an error. See note 2.23 for details.

Consolidated statement of financial position

EUR '000	Note	31 Dec 2020	*31 Dec 2019 Restated	*1 Jan 2019 Restated
ASSETS				
Non-current assets				
Property, plant and equipment	15	3,907	3,896	4,155
Right-of-use assets	12	4,207	6,693	-
Intangible assets	16	38,904	35,281	30,227
Government bonds		0	0	8,533
Deferred tax assets	17	7,897	6,910	7,345
Other financial assets	18	5,028	3,828	1,364
Total non-current assets		**59,943**	**56,609**	**51,625**
Current assets				
Loans and advances to customers	3	360,955	386,167	320,538
Other receivables	19	15,557	14,448	8,211
Derivative assets		496	15	21
Current tax assets		1,567	2,167	961
Cash and cash equivalents	20	236,564	155,518	115,559
Total current assets		**615,139**	**558,315**	**445,290**
Total assets		**675,082**	**614,923**	**496,915**
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	21	40,134	40,134	40,134
Treasury shares	21	(142)	(142)	(142)
Reserves	21	(2,827)	(1,098)	(2,211)
Unrestricted equity reserve	21	14,708	14,708	14,708
Retained earnings		73,696	71,633	51,615
Total equity		**125,568**	**125,235**	**104,103**
Liabilities				
Non-current liabilities				
Deposits from customers	22	63,689	-	
Borrowings	22	174,849	169,164	13, 769
Other non-current liabilities		2,160	-	-
Lease liabilities	12	1,961	4,400	-
Deferred tax liabilities	17	301	672	581
Total non-current liabilities		**242,959**	**174,236**	**138,276**
Current liabilities				
Current tax liabilities	23	3,241	4,539	3,372
Deposits from customers	22	275,833	242,161	183,405
Borrowings	22	-	47,514	44,882
Derivative liabilities	3.6	3,230	2,215	479
Trade payables	23	9,932	5,235	10,522
Lease liabilities	12	2,418	2,398	-
Other current liabilities	23	11,900	11,390	11,877
Total current liabilities		**306,554**	**315,453**	**254,536**
Total liabilities		**549,514**	**489,689**	**392,812**
Total equity and liabilities		**675,082**	**614,923**	**496,915**

*Restated due to change of accounting policies and correction of an error. See notes 2.22 and 2.23 for details.

Consolidated statement of cash flow

EUR '000	2020	*2019 Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	**485**	**23,022**
Adjustments for:		
Depreciation and amortization	13,354	10,822
Finance costs, net	21,201	17,989
Tax on income from operations	1,292	4,521
Transactions without cash flow	(659)	(295)
Impairments on loans	92,894	105,684
Working capital changes:		
Increase (-) / decrease (+) in other current receivables	(1,590)	(3,980)
Increase (+) / decrease (-) in trade payables and other liabilities	1,288	(4,510)
Interest paid	(14,465)	(14,464)
Interest received	552	224
Income taxes paid	(3,670)	(3,922)
Net cash from operating activities before movements in loan portfolio and deposits	**110,681**	**135,091**
Deposits from customers	97,361	58,756
Movements in the portfolio:		
Movements in gross portfolio	48,542	(88,102)
Movements in credit loss allowance	(116,224)	(83,211)
Net cash from operating activities	**140,360**	**22,534**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible and intangible assets	(12,502)	(13,385)
Purchase of investments and other assets	(1,199)	(2,464)
Proceeds from sale of investment	-	8,533
Net cash used in investing activities	**(13,701)**	**(7,316)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings		7,832
Repayment of short-term borrowings	(47,514)	(44,882)
Proceeds from long-term borrowings	6,500	71,151
Repayment of finance lease liabilities	(2,299)	(2,227)
Dividends paid / distribution of funds	-	(3,884)
Net cash from financing activities	**(43,313)**	**27,990**
Net (decrease) / increase in cash and cash equivalents	**83,345**	**43,208**
Cash and cash equivalents at the beginning of the period	155,518	115,559
Exchange gains/(losses) on cash and cash equivalents	(2,300)	(3,248)
Net increase/decrease in cash and cash equivalents	83,345	43,208

*Restated due to correction of an error. See note 2.23 for details.

Consolidated statement of changes in equity

Changes in equity Jan-Dec 2019 (EUR '000)	Share capital	Treasury shares	Unrestricted equity reserve	Other reserves	Translation differences	Retained earnings	Equity holders of parent	NCI	Total equity
Opening balance 1 Jan 2019	40,134	(142)	14,708	1,485	(3,696)	54,892	107,380	0	107,380
IAS 8 change of accounting policy						(3,277)	(3,277)		(3,277)
Restated opening balance 1 Jan 2019*						51,615	104,103		104,103
Comprehensive income									
Profit or loss (*restated)						23,022	23,022	0	23,022
Other comprehensive income									
Currency translation difference				0	1,113	(685)	428	0	428
Total comprehensive income					**1,113**	**22,337**	**23,450**	0	**23,450**
Transactions with owners									
Increase of share capital									
Distribution of funds						(3,884)	(3,884)	0	(3,884)
Transfers between items									
Share-based payments						1,441	1,441	0	1,441
Other changes				1		125	125	0	125
Total transactions with owners						**(2,319)**	**(2,319)**	**0**	**(2,319)**
Total equity 31 Dec 2019	**40,134**	**(142)**	**14,708**	**1,485**	**(2,583)**	**71,633**	**125,235**	**0**	**125,235**

* Restated due to change of accounting policies and correction of an error. See notes 2.22 and 2.23 for details

Changes in equity Jan-Dec 2020 (EUR '000)	Share capital	Treasury shares	Unrestricted equity reserve	Other reserves	Translation differences	Retained earnings	Equity holders of parent	NCI	Total equity
Opening balance 1 Jan 2020	40,134	(142)	14,708	1,485	(2,583)	75,536	129,138	0	129,138
IAS 8 change of accounting policy						(3,277)	(3,277)		(3,277)
IAS 8 correction of error						(626)	(626)		(626)
Restated opening balance 1 Jan 2020*						71,633	125,235		125,235
Comprehensive income									
Profit or loss						485	485	**0**	485
Other comprehensive income									
Currency translation difference				0	(2,875)	3,052	177	**0**	177
Total comprehensive income					**(2,875)**	**3,537**	**662**	0	**662**
Transactions with owners									
Transfers between items				1,146		(1,146)		**0**	
Acquisition of own options						(330)	(330)	**0**	(330)
Share-based payments (Note 26)						(25)	(25)	**0**	(25)
Other changes						27	27	**0**	27
Total transactions with owners				**1,146**		**(5,377)**	**(4,231)**	**0**	**(4,231)**
Total equity 31 Dec 2020	**40,134**	**(142)**	**14,708**	**2,631**	**(5,458)**	**73,696**	**125,568**	**0**	**125,568**

1. GENERAL INFORMATION

Ferratum Group is one of the leading international providers of mobile banking and digital consumer and small business loans, distributed and managed by mobile devices. It is an independent Group and does not belong to any other Group in the financial or commercial sector. Ferratum Group operates under generally accepted ethical principles, is one of the leading players in developing the credibility of mobile consumer lending and common industry processes and has developed its business model and processes to be efficient and customer-oriented. The identification and scoring of customers are key factors in the business globally.

The parent company, Ferratum Oyj (business identity code 1950969-1), is headquartered in Helsinki, Finland. The registered address is Ratamestarinkatu 11 A, FI-00520 Helsinki.

The financial year for all the Group companies is the calendar year ended on December 31, 2020. The Board of Directors of Ferratum Group approved these financial statements for publication on March 23, 2021. According to the Finnish Companies Act, shareholders have the opportunity to approve or reject the financial statements at the General Meeting of Shareholders held after publication. It is also possible to amend the financial statements at the General Meeting of Shareholders.

A copy of the consolidated financial statements can be obtained from the head office of Ferratum Group at Ratamestarinkatu 11 A, FI-00520 Helsinki.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

Ferratum Group's financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS), as adopted by the European Union, and IFRS Interpretation Committee Interpretations (IFRIC) applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The consolidated financial statements are presented in thousands of euros, except as otherwise indicated.

The preparation of financial statements pursuant to IFRS requires the management to use certain critical accounting estimates. The application of the company's accounting policies also requires the management to make assumptions and exercise its judgment in the process of applying the Group's accounting policies. These assumptions and estimates affect the amounts reported of assets and liabilities, income and expenses.Actual results may diverge from these estimates. Areas that contain such discretionary assessments or a high level of complexity or areas in which assumption and estimates are important to the consolidated financial statements are disclosed in Note 4: Critical accounting estimates and judgments.

NEW AND AMENDED STANDARDS ADOPTED BY FERRATUM GROUP

In preparing these financial statements, the group has followed the same accounting policies as in the annual financial statements for 2019 except for the effect of changes required by the adoption of the following new standards, interpretations and amendments to existing standards and interpretations during the year 2020. These changes did not have material effects for the group.

Definition of Material - Amendments to IAS 1 and IAS 8

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

Definition of a Business - Amendments to IFRS 3

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

In addition, entities can now apply a 'concentration test' that, if met, eliminates the need for further assessment. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

Revised Conceptual Framework for Financial Reporting

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting

- reinstating prudence as a component of neutrality

- defining a reporting entity, which may be a legal entity, or a portion of an entity

- revising the definitions of an asset and a liability

- removing the probability threshold for recognition and adding guidance on derecognition

- adding guidance on different measurement basis, and

- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020.

Temporary amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

The IASB has amended the hedge accounting requirements in IFRS 9 and IAS 39, and the related standard for disclosures, IFRS 7.

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Covid-19-related Rent Concessions – Amendments to IFRS 16

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments.

In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat rent concessions in the same way as they would if they were not lease modifications under certain circumstances.

Standards, interpretations and amendments to published standards which are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorization for issue of these financial statements, but have not yet become effective. Ferratum Group has not early adopted these revisions to the requirements of IFRS as approved by the EU and the Group's directors are of the opinion that, there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

2.2 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. Ferratum Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date control ceases.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with Ferratum Group's accounting policies.

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value as of the acquisition date. Ferratum Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reports provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the senior management team that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

The financial statements of the individual entities in the Group are prepared using the currency which is mainly used in the economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in euro (EUR), which is both the functional currency and the presentation currency of the parent company.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the transaction date or on the valuation date where the items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized as financial items in the income statement.

(c) Group companies

The financial statements of entities whose functional currency is not the euro are translated using the closing rate method. Under this method, all assets and liabilities, both monetary and non-monetary, are translated using the spot exchange rate at the balance sheet date.

- income and expense items are translated at the average rate for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income and accumulated in a separate translation reserve in equity.

2.5 Property, plant and equipment

Property, plant and equipment are recognized in the financial statements at their cost of acquisition less depreciation (carrying amount). The cost of acquisition includes costs directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Fixed assets are depreciated according to the straight-line method, so that the asset's original cost is depreciated to the residual value over the estimated useful life, which are:

Machinery and Equipment:	3 – 8 years
Other tangible assets:	3 – 8 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other income/other operating expenses in the income statement.

2.6 Intangible assets

Intangible assets of Ferratum Group are mainly immaterial rights (licenses, trademarks, etc.), capitalized software development costs and goodwill.

Separately acquired trademarks and licenses are shown at historical cost. Trademarks and licenses acquired in a business combination are recognized at fair value as of the acquisition date. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives, which are:

IT software:	2 – 10 years
Trademarks:	3 – 5 years
Licenses:	2 – 10 years
Development costs:	2 – 5 years

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by Ferratum Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognized as an expense incurred. Development costs recognized as assets are amortized over their estimated useful lives.

Goodwill arises on acquisition of a subsidiary or business and is initially measured at cost (the excess of the consideration transferred over the fair value of the identifiable net assets) and included in intangible assets. Goodwill is not subject to amortisation and tested annually for impairment, or more frequently if events or changes in circumstances indicate impairment may have occurred.

2.7 Impairment of non-financial assets

Intangible assets and goodwill that have an indefinite useful life or intangible assets not ready to use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

2.8 Financial assets

2.8.1 Classification

According to IFRS 9 the financial assets are classified in following categories:

- Fair Value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost

Debt Instrument

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse. Classification and subsequent measurement of debt instruments depend on:

I. the Group's business model for managing the asset; and

II. the cash flow characteristics of the asset.

Based on these factors the Group classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI') and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets are adjusted by any expected credit loss allowance recognised and measured as described in Note 2.8.2. Interest income from these financial assets are included in Revenue using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net Investment income'. Interest income from these financial assets are recognised using the effective interest rate method. The Group does not have any items at FVOCI.
- Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss.

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance, except for impaired financial assets in Stage 3 in the impairment model, for which the interest income is recognised from the net amount) or to the amortised cost of a financial liability.

The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Group revises the estimates of future cash flows, the carrying amounts of the respective financial assets or financial liabilities are adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

a) Business model assessment

Key management personnel determine the Group's business models by considering the way financial instruments are managed in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these are applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Such assessment is performed at a 'portfolio level' as it best reflects the way the business is managed and information is provided to management. The information that will be considered in such assessment includes:

- the objectives for the portfolio including whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- the method for the evaluation of the performance of the portfolio and how such performance is reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets are achieved and how cash flows are realised.

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

b) Cash flows that represent solely payment of principal and interest (SPPI)

In respect of assets where the intention of the business model is to hold the financial assets to collect the contractual cash flows or to hold to collect and to sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending agreement. 'Principal' is the fair value of the financial asset at initial recognition. It is not the amount that is due under the contractual terms of an instrument. 'Interest' is the compensation for time value of money and credit risk of a basic lending-type return. A basic lending-type return could also include consideration for other basic lending risks (for example, liquidity risk) and consideration for costs associated with holding the financial asset for a particular period of time (for example, servicing or administrative costs) and/or a profit margin. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Unlike the business model assessment, the SPPI assessment is performed for each individual product or portfolio of products. The following considerations are made when assessing consistency with SPPI:

- contingent events that would change the amount and timing of cash flows such as contractual term resetting interest to a higher amount in the event of a missed payment;
- leverage features, being contractual cash flow characteristics that increase the variability of the contractual cash flows with the result that they do not have economic characteristics of interest;
- contractual terms that allow the issuer to prepay (or the holder to put a debt instrument back to the issuer) before maturity and the prepayment amount substantially represents unpaid amounts of principal and interest, which may include reasonable compensation for early termination of the contract;
- contractual terms that allow the issuer or holder to extend the contractual term and the terms of the extension option result in contractual cash flows during the extension period that are solely payments of principal and interest, which may include reasonable compensation for the extension of the contract; and
- features that modify consideration for the time

value of money (for example, periodic reset of interest rates).

2.8.2 Recognition, derecognition and measurement of financial assets

Ferratum Group recognizes a financial asset or financial liability in its statement of financial position when it becomes a party to the contractual rights or obligations.

Ferratum Group derecognizes a financial asset or a portion of financial asset when it loses control of the contractual rights that comprise the financial asset or a portion of the financial asset. The evaluation of the transfer of risks and rewards of ownership precedes the evaluation of the transfer of control for derecognition transactions. Ferratum Group derecognizes a financial liability when a liability is extinguished, that is when the obligation specified in the contract is discharged, cancelled or expires.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

2.9 Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses ('ECLs') associated with its debt instruments carried at amortised cost. The measurement of ECLs reflects:

I. An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

II. The time value of money; and

III. Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 3.2 provides more detail on how the expected credit loss allowances are measured.

Expected credit loss allowances are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Financial instrument with both a drawn and undrawn component, whereby the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components, as a deduction from the gross carrying amount of the drawn component

2.10 Modification of financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer.

The Group renegotiates loans and advances to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default.

Under its restructuring policy, the Group might consider the application of restructuring of selected loans and advances. The process commences when a customer applies to extend the repayment date. The upfront payment of a restructuring fee is a pre-condition for restructuring to be granted and for the loan term to be extended.

When modification happens, the Group assesses whether or not the new terms are substantially different to the original terms. As a result of restructuring the Group does not revise the key substantive terms and conditions of the respective loan in order to facilitate recoverability after taking into consideration the individual's financial situation, but simply provides the individual customer with a standard extension to the maturity date. The significant terms and conditions of the loan are not altered, for instance, through moratorium on fees or waiver of fees. A significant level of individual customers apply for and request the extension of the loan term and considering that each loan transaction is individually insignificant, the monitoring of each individual customer's financial situation is impracticable. Management considers historical experience and other factors when determining whether rescheduled loans are forborne loans. Such historical experience demonstrates that very high repayment rates are associated with rescheduled loans.

Taking cognisance of the principles highlighted above, rescheduling of loans granted by the Group is not deemed to constitute a forbearance measure in relation to customers experiencing difficulties in repaying the micro-credit. Moreover, given that the terms are not substantially different, the renegotiation or modification is not expected to result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value, and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

2.11 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.12 Share capital

Where any Ferratum Group company purchases the company's, equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

2.13 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.14 Borrowings and deposits from customers

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs, after which it is included in the amortized cost of the loan. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Ferratum Group recognises deposits from customers as a financial liability on its statement of financial position when it becomes a party to the contractual provisions of the instrument. Deposits to customers are recognised initially at fair value, being the fair value of consideration received, and are subsequently measured at amortised cost. Ferratum Group derecognises deposits from customers from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

2.15 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax is recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. For jurisdictions that offer tax credits that are, in substance, a reduced rate of income tax, deferred taxes are determined using the average rates expected to apply on realisation or settlement, taking into account the effect of tax credits.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Revenue recognition

Ferratum Group's revenue is related to interest income recognized according to the effective interest rate within the scope of IFRS 9 Financial Instrument. Therefore IFRS 15 revenue from contracts with customers does not have impact on Ferratum Group's financial statement.

Ferratum Group generates its revenue from its lending activities by charging one or more of the following fees to the customer: processing fee (representing interest yield on the initial loan period), prolonging fees (representing interest yield for any extension of the repayment date for the original maturity date of the loan), reminder fees and overdue fees. The fees mentioned are an integral part of the creation of the financial asset (loans and advances to customers) and represent interest income by nature. Revenues are recognized when:

it is probable that the economic benefits associated with the transaction will flow to the entity; and

the amount of the revenue can be measured reliably.

The recognition of revenues are based on the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

After signing the contract with the customer, the Group first assesses the probability that the fees charged can be recovered and that the economic benefits from the fees (i.e. the effective interest income accrued on the basis of the contractual fees) will flow to the Group. This assessment involves uncertainty estimation as it is based on the Group's statistics and historical information on customer behavior. The identification and credit scoring model allows the Group to create a customer default and risk profile for every single customer any time a loan request comes in. This is a critical step in the assessment of whether or not the economic benefits associated with the issuance of the consumer loan will flow to the Group, as the scoring model rejects non- creditworthy loan requests.

After this assessment, when it has been concluded that it is probable that economic benefits will flow to the Group, the Group assesses whether the amount of revenue can be measured reliably. The loan contracts comprise explicit terms for the loans granted i.e. the loan amount, maturity and repayment schedules and the associated fees which are used as a basis for revenue recognition. Given that the cash flows are contractually based, the amount of revenue can be measured reliably.

Revenue recognition using the effective interest rate calculations starts on day zero based on the estimated cash flows and payment dates in accordance with what is agreed in the contract. On the day when the loan is issued, the revenue recognition method accounts for the interest accrual for the first day, and subsequently, on a day to day basis. The effective interest rate is based on the number of days between the day on which the loan is paid out and the day on which the loan is contractually due.

2.17 Finance income and costs

Interest income and expense for all interest-bearing financial instruments, except customer loans, are recognized within 'finance income' and 'finance costs' in profit or loss using the effective interest method.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options), but does not consider future credit losses.

The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2.18 Other income from operations

Revenues that are not part of actual net sales, such as revenue from the sale of non-current assets, are recorded under other income from operations.

2.19 Employee benefits

2.19.1 Pension plans

Group has different pension plans that follow local regulations and rules of different countries. All these pension plans are classified as defined contribution plans. Pension plans are funded by employees and relevant group companies as payments to pension insurance companies or other external trustees and their assets are held by these external parties. Pension costs and liabilities are based on calculations of local authorities or independent actuaries. The Group's contributions to defined contribution plans are recognized as an expense in the period to which the charge relates.

2.19.2 Share-based payments

The Group's share-based payments granted are equity settled share based payment transactions. They are booked as an employee benefit expense and as an increase in equity based on the grant date fair value of the options or shares granted. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each period, the company revises its estimates of the number of options or shares that are expected to vest based on the non-market vesting and service conditions. It recognizes

the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. Cancellation of a share-based payment arrangement is accounted for as an acceleration of vesting, and the Group recognises immediately the amount that otherwise would have been recognised over the vesting period. Any payment made to the employee is accounted for as deduction from equity, except to the extent that the payment exceeds the fair value of the equity instruments granted, measured at the cancellation date.

2.20 Derivative instruments

The derivative contracts are initially recognized at fair value on the date they enter into operation. Subsequent measurement is also based on their fair value. Interest rate and foreign exchange swaps and forward contracts are part of the Group's risk management policy, but the Group does not apply hedge accounting to derivative instruments. The derivatives are included in the balance sheet in current receivables and current liabilities. Unrealized and realized gains and losses arising from changes in fair value are recognized in the income statement in financial income and expenses in the period during which they arise. Accumulated interest income or expenses from swaps and forward contracts that have taken place during the financial period are also recognized in the income statement under financial items.

2.21 Right-of-use Assets

Right-of-use Assets

The Group acts as a lessee leasing mainly office premises, IT equipment as well as other machinery and equipment. Ferratum Group recognizes a leased asset (right-of-use asset) and a lease liability for all leases, except right-of-use assets and lease liability for short-term (that have a lease term of 12 months or less) and low value leases. Short-term leases include office premises and items of machinery and equipment. The Group recognizes the lease payments associated with short-term and low value leases as an expense on a straight-line basis over the lease term. These are reported in note 8.

The Group assesses whether a contract is or contains a lease at inception of the contract by determining if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration and then correspondingly recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date, less any lease incentives (e.g. lease-free months) and any direct costs of the lease
- Estimated restoring costs of leased asset to condition required by the contract at the end of lease period

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight-line method, from the commencement date to the earlier of the end of the useful life of the right-of-use asset, or the end of the lease term.

Open ended Lease contracts:	3 years*
Office premises:	3 – 4 years
Machinery and equipment:	3 – 4 years

* Subsequently the lease terms of open-ended contracts are assessed yearly and extended or reduced accordingly

The right-of-use asset is tested for impairment where necessary and any impairment loss identified is recorded in profit or loss. Right-of-use assets are reported in note 12.

Initially the lease liability is measured at the present value of the lease payments that are not paid at the commencement date. Lease payments included in the measurement of the lease liability comprised of fixed payments, including in substance fixed payments and variable lease payments that are measured using an index or rate at the commencement date of the contract.

Subsequently the lease liability is measured at amortized cost using the effective interest method. The interest cost is reported in note 12. It is remeasured when there is a change in future lease payments arising from change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When a lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. Lease liabilities are reported in note 12.

2.22 Change of an accounting policy

Ferratum Group determines deferred tax using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

In some territories Ferratum operates, jurisdictions offer tax credits that are, in substance, a reduced rate of income tax. The tax credit has previously been recognised as part of current tax in the year in which the deduction is claimed on the company's tax return. Deferred tax assets and liabilities have been measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) substantially enacted at the balance sheet date.

Although the rate reduction is not an enacted or substantially enacted rate in law but, in substance, the tax credit does achieve an identical result. In order to give more consistent and relevant information on economic value of the Group's financial position related to temporary differences and actual cash flows related to tax costs, Ferratum Group has applied the option to measure deferred tax using the average rates expected to apply on realisation or settlement, taking into account the effect of tax credits.

The change of the accounting policy for measurement of deferred taxes has been done retrospectively and the group has restated the comparative financial information accordingly. The impact of the accounting policy change is presented in the table under note 2.23. Adjustment relates to deferred tax assets recognised in Ferratum Bank p.l.c. as part of the adoption of IFRS 9. The initial recognition of deferred tax assets were recorded using enacted corporate tax rate of 35%. The average tax rate expected to apply on realization of the deferred tax assets is estimated to be 6,7%, taking into account the effect of the tax credits.

2.23 Correction of a prior period error

Ferratum Group records deferred tax assets for temporary differences arising from credit loss reserves. The deferred tax assets are derecognised through profit and loss when the tax asset is realised. In 2019, the group has transferred its lending business from Ferratum Finland Oy and Ferratum Denmark ApS under the Ferratum Bank p.l.c.. The sale of outstanding portfolios has realised the previously recorded credit losses in taxation. Consequently, the change in deferred tax assets should have been recorded in 2019. The error has been corrected retrospectively and the group has restated the comparative financial information accordingly. The impact of the correction of an error is presented in the table below.

EUR '000	2018 reported	Accounting policy change	Correction of an error	2018 adjusted
ASSETS				
Non-current assets				
Deferred tax assets	10,622	-3,277		7,345
Total non-current assets	**54,902**	**-3,277**		**51,625**
Total assets	**500,192**	**-3,277**		**496,915**
EQUITY AND LIABILITIES				
Retained earnings	54,892	-3,277		51,615
Total equity	**107,380**	**-3,277**		**104,103**
Total equity and liabilities	**500,192**	**-3,277**		**496,915**

EUR '000	2019 reported	Accounting policy change	Correction of an error	2019 adjusted
INCOME STATEMENT				
Profit before income tax	27,543			27,543
Income tax expense	-3,895		-626	-4,521
Profit for the period	**23,648**		**-626**	**23,022**
ASSETS				
Non-current assets				
Deferred tax assets	10,813	-3,277	-626	6,910
Total non-current assets	**60,512**	**-3,277**	**-626**	**56,609**
Total assets	**618,827**	**-3,277**	**-626**	**614,923**
EQUITY AND LIABILITIES				
Retained earnings	75,536	-3,277	-626	71,633
Total equity	**129,138**	**-3,277**	**-626**	**125,235**
Total equity and liabilities	**618,827**	**-3,277**	**-626**	**614,923**

3. Financial risk management

3.1 Financial risk factors

Ferratum Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Ferratum Group's overall risk management program focuses on financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Ferratum Group uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (Group treasury). Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board is responsible for the overall effectiveness of the risk management.

3.2 Credit risk

3.2.1 Credit risk management

Ferratum Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk is the most important risk for the Group's business; accordingly, management carefully manages its exposure to this risk. Credit exposures arise principally through the Group's participation in short-term lending. The Group's principal credit risk exposures relating to on-balance sheet financial assets, reflecting the maximum exposure to credit risk without collateral held or other credit enhancements, are as follows:

EUR '000	31 Dec 2020	31 Dec 2019
Cash and cash equivalents	236,564	155,518
Loans and advances to customers	360,955	386,167
Derivative assets	496	15
Other non-current receivables	4,301	3,112
Other current receivables	9,127	9,166
Total	611,443	553,978

The exposures set out in the table above are based on carrying amounts as reported in the statement of financial position for on-balance sheet financial assets. The table represents the credit risk exposure to the Group on December 31, 2020, and December 31, 2019.

Other receivables consist mainly of still open receivables from non performing loans (NPL) sales and rent and other deposits.

Cash and cash equivalents are broadly diversified with 350 bank accounts in about 20 countries which had the following Fitch ratings:

EUR '000	31 Dec 2020	31 Dec 2019
AA	1,071	154
AA-	2,139	18,447
A+	84,009	94,068
A	76,603	3,871
A-	2,819	2,060
BBB+	16,297	8,137
BBB	12,267	3,414
BBB-	74	623
BB+	1,879	1,935
B-	20	93
No rating available	39,385	22,717
Total	**236,564**	**155,518**

Loans and advances to customers

Credit risk is managed centrally. Scoring and credit policies are steered centrally by the risk team. Measuring and monitoring the performance of the countries' credit portfolio's actual risk is done on different aggregation levels on a daily, weekly and monthly rhythm. Credit risk is managed and controlled on the basis of established credit processes, and within a framework of credit policy. Credit grading and monitoring systems are in place to accommodate the early identification and management of deterioration in loan quality. Credit decisions are always based on the ethical principles set by the central risk team and the business credit policy as well as being in accordance with the rules of crediting set in the legislation of each country. Every lending agreement requires an individually shaped decision. To assess the potential customers' creditworthiness, the credit score is calculated for each new application received. An application scorecard is used for the assessment of new customers and a behavior scorecard is used for the assessment of repetitive customers. Based on the credit score obtained, customers are grouped into risk classes that determine the possible credit decision.

The measurement of credit exposure for risk management purposes depends on the fact that the exposure may vary with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. Ferratum Group measures expected credit losses using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

3.2.2 Credit risk measurement

a) Loans and advances to customers

The Group uses internal credit risk gradings to reflect its assessment of the probability of default of individual customers. Internal credit risk gradings are based on payment behaviour, loan specific information and expert judgement. Information considered by the Group when determining the internal credit risk grades include the payment behaviour of the customer and other information about customers which impact their creditworthiness, including level of income and/or financial performance.

At onboarding stage, any known information about a borrower which impacts their creditworthiness - such as unemployment and previous delinquency history as well as affordability to service the loan - are assessed during the initial credit assessment. After the date of initial recognition, for short-term consumer lending facilities, the payment behaviour of borrowers is monitored on an ongoing basis at a collective portfolio level.

b) Other financial assets

Other financial assets include cash and cash equivalents and loan receivables. The Group uses external risk grades to reflect its assessment of the probability of default of individual counterparties. These published grades are continuously monitored and updated. The PDs associated with each grade are determined based on realised default rates over the prior 12 months, as published by rating agencies.

In determining the probability of default of individual counterparties, the Group distinguishes between exposures considered 'investment-grade' defined by recognized external rating agencies as a rating between AAA-BBB- (Standard & Poor's, Fitch) and Aaa-Baa3 (Moody's), and 'non-investment grade' exposures.

3.2.3 Categorisation of loans and advances to customers for ECL measurement

The Group's expected credit loss allowances on loans and advances to customers are modelled on collective basis. As a result, a grouping of exposures are performed on the basis of shared risk characteristics, such that risk exposures within a group of financial assets are homogenous. In performing this grouping, the Group ensures that there is sufficient information for the group of financial assets to be statistically credible. In this respect, the Group considers the following categories for ECL measurement of loans and advances to customers:

I. Short-term credit portfolios which are subject to bullet repayment characteristics; and

II. Short to mid-term credit portfolios or business loans with instalment repayment features and revolving credit facilities.

3.2.4 Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

I. A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1'.

II. If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit - impaired. Please refer to 3.2.5 for a description of how the Group determines when a significant increase in credit risk has occurred.

III. If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to 3.2.6 for a description of how Ferratum Group defines credit-impaired and default.

Financial instruments in 'Stage 1' have their ECL measured at an amount equal to the portion of expected credit losses that result from default events possible within the next 12 months. Instruments in 'Stages 2' or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to 3.2.7 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information. 3.2.8 includes an explanation of how the Group has incorporated this in its ECL models.

Further explanation is also provided in respect of how Ferratum Group determines appropriate groupings of loans and advances to customers for ECL measurement (refer to 3.2.11).

The expected credit loss requirements apply to financial assets measured at amortised cost and FVOCI. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for ECL resulting from default events that are possible within the next 12 months ("12-month ECL"). In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ("lifetime ECL"). Financial assets where 12-month ECL is recognised are considered 'stage 1'. Financial assets which are considered to have experienced a significant increase in credit risk would be classified as 'stage 2' and financial assets for which there is objective evidence of impairment, thus considered to be in default or otherwise credit-impaired, would be classified as 'stage 3'.

Ferratum Group recognises loss allowances at an amount equal to 12-month ECL for debt investment securities that are determined to have low credit risk at the reporting date. The Group considers a debt security to have low credit risk when it is considered 'investment-grade', defined by recognised external rating agencies as a rating between AAA to BBB- (Standard & Poor's and Fitch) and Aaa-Baa3 (Moody's).

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired financial assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

3.2.5 Significant increase in credit risk

To determine whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information. Such analysis is based on the Group's historical experience, credit assessment and forward-looking information.

The Group's short-term consumer lending exposures are not managed on a credit-by-credit basis due to the high volume of relatively low value and homogeneous exposures. As a result, it is not feasible to include qualitative information based on an expert credit assessment performed on an individual credit basis. On this basis, Ferratum Group adopts a retail portfolio methodology which takes into account the nature of the short-term consumer lending exposures and the underlying credit risk management practices of the Group.

The short-term consumer lending portfolio comprises of credit facilities with bullet repayment or instalment loan characteristics, as well as, revolving credit facilities. The business lending portfolio comprises of credit facilities with instalment loan characteristics. Given how such retail facilities are originated and managed for internal risk management purposes, short-term consumer and business loans within a particular portfolio are expected to have similar credit risk characteristics.

As a result, for loans and advances to customers, which are managed on a portfolio basis for credit risk purposes, the Group measures a significant increase in credit risk based on a quantitative assessment driven by the delinquency status of borrowers (days past due). The Group presumptively considers that a significant increase in credit risk occurs when an asset is more than 30 days past due, in line with the backstop indicator established under IFRS 9. The Group determines days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

In the case of other financial assets (cash and cash equivalents and investments in debt securities), the Group applies the low credit risk simplification to all its exposures considered 'investment-grade', thus they are not subject to the SICR assessment. Moving from 'investment-grade' to 'non-investment grade' does not automatically mean that there has been a SICR.

3.2.6 Definition of default and credit-impaired assets

Ferratum Group's assessment to determine the extent of increase in credit risk of a financial asset since initial recognition is performed by considering the change in the risk of default occurring over the remaining life of the financial asset.

IFRS9 does not specifically define default, but requires it to be applied on a consistent basis with internal credit risk management practice for the relevant instruments and requires consideration of qualitative factors where appropriate. In addition, IFRS 9 also introduces a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless there is reasonable and supportable information to demonstrate that a later default criterion is more appropriate.

In this respect, the Group defines a financial asset as in default, when it meets one or more of the criteria below.

I. with respect to credit facilities with bullet repayment characteristics, exposures are considered defaulted where the borrower is more than 90 days past due on any material credit obligation to the Group, with the exception of those countries where termination occurs earlier and default is considered to be more than 60 days past due on any material credit obligation in such other countries; and

II. with respect to credit facilities with instalment loan characteristics or revolving credit facilities, exposures are considered defaulted once the customer is overdue on minimum monthly payments by more than 60 days or 90 days depending on the country in question.

Therefore, the definitions of credit-impaired and default are aligned so that stage 3 represents all loans which are considered defaulted or credit-impaired.

An instrument is considered to no longer be in default (i.e. to have been cured) when it no longer meets any of the default criteria for a consecutive period of three months. This period has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

The Group considers other financial assets, mainly cash and cash equivalents and investments in debt securities respectively, to be in default when a payment due (including a coupon payment) is not affected.

3.2.7 Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month (12M) or on a lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the PD, EAD, and LGD.

The ECL is determined by projecting the PD, EAD and LGD at a collective portfolio level as allowable under IFRS 9 in the case of retail portfolios comprising individually insignificant exposures that are homogenous in nature. These three components are multiplied together effectively calculating the forward-looking ECL, which is then discounted back to the reporting date. The discount rate used in the ECL calculation is the originated effective interest rate or an approximation thereof.

The 12-month ECL is calculated by multiplying the 12-month PD, LGD, and EAD. Lifetime ECL is calculated on a similar basis for the residual life of the exposure. The PD, EAD and LGD parameters are derived from internally developed statistical models and other historical data, adjusted to reflect forward-looking information as described below.

The PD represents the likelihood of a borrower defaulting on its financial obligation (as per “definition of default and credit-impaired” above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. Accordingly, the 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument, respectively.

In the case of credit facilities with bullet repayment characteristics, the Group utilises roll-rate methodology in order to estimate its unconditional PDs. This methodology employs statistical analysis of historical data and experience of delinquency and default to estimate the amount of loans that will eventually be written off as unrecoverable. This methodology is applied at territory or country level with adaptations to reflect the different nature of the respective markets in which the Group operates. Under this methodology, loans are grouped into ranges according to the number of days past due and statistical analysis is used to estimate the likelihood that loans in each range will progress through the various stages of delinquency, and ultimately prove irrecoverable (PD).

In the case of credit facilities with characteristics similar to instalment loans or revolving facilities, the Group utilises curve-stitching methodology in order to estimate its unconditional PDs. Under this approach, an analysis of historical default data is carried out in order to estimate cumulative monthly loss rates at various snapshot dates. Subsequently, statistical analysis is employed in order to combine curves with different historical performance windows into a single PD curve over the expected lifetime of the short-term credit exposures. This methodology is also applied at territory or country level in order to incorporate adaptations to reflect the nature of the different markets in which the Group operates. Under this approach, loans are also grouped into ranges according to the number of days past due, with an individual lifetime PD curve being calculated for each range.

The unconditional PD is adjusted to consider forward-looking information through macroeconomic modelling, which then constitutes the conditional PD.

EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). EAD represents the expected exposure in the event of a default.

The 12-month and lifetime EADs are determined based on the total balance of loan receivables at the reporting date, taking into account the total amount receivable from borrowers inclusive of principal and interest. This is deemed an adequate representation of the expected balance at default in the case of the Group's credit facilities given that Ferratum Group models its ECLs on a collective portfolio level with the modelling of the EAD for each future month at an individual loan-by-loan basis not being deemed practical. Additionally, in the case of revolving credit facilities the Group also factors in expected drawdowns of committed facilities.

The Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. Hence, the LGD represents expected credit losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral values (if any) at the time it is expected to be realised and the time value of money. The 12-month and lifetime LGD are determined based on the factors which impact the recoveries made post default.

Given that its short-term credit facilities are unsecured in nature, the Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties which are highly influenced by collective debt recovery strategies. Moreover, the Group's LGD incorporates elements in relation to the Group's ability to dispose of overdue loan facilities to third parties in certain territories at a price that is dependant on the credit quality of the portfolio, current investor appetite in the market and the economic trends in the particular country or territory. Recoveries from loan portfolio sales are calculated on a discounted cash flow basis using the contractual interest rate as the discounting factor.

The ECL is measured from the initial recognition of the financial asset. The maximum period considered when measuring ECL (be it 12-month or lifetime ECL) is the maximum contractual period over which the Group is exposed to credit risk. With respect to non-revolving credit facilities, the contractual life of the facility is considered. In the case of revolving credit facilities, provided that such facilities do not have a fixed term or repayment structure, the Group defines the lifetime of such exposures as 24 months in line with observed borrower behaviour in specific territories. The lifetime of revolving credit facilities is re-assessed by the Group at a territory level based on more recent borrower behaviour patterns on a periodic basis.

Forward-looking economic information is also included in determining the 12-month and lifetime PD and LGD.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

3.2.8 Forward-looking information incorporated in the ECL model

The calculation of ECL incorporates forward-looking information. Ferratum Group performs a historical analysis to identify the key economic variables affecting credit risk and expected credit losses for each product portfolio at a territory level. These economic variables and their associated impact on the PD, EAD and LGD may vary by portfolio or territory.

The IFRS 9 standard requires institutions to estimate the ECL by taking into account "reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions". In the current context of heightened uncertainty and very limited availability of reasonable and supportable forward-looking information on the impact of COVID-19, Ferratum has in accordance with ECB guidance on IFRS 9 in the context of COVID-19, critically assessed the use of macro-economic forecasts on expected credit loss calculations to avoid excessively procyclical assumptions in the estimation of ECL during the pandemic.

In this respect, the Group has identified key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has analysed relationships between macro-economic variables, credit risk and credit losses. This analysis was conducted at a territory and sub portfolio level in order to take into consideration possible differences in customer behaviour and default experience arising from different product characteristics. The key driver is predominantly Eurozone unemployment. The impact of these economic variables on the PD have been determined by performing statistical regression analysis to understand the impact that the changes in these variables have had historically on default rates.

In those territories were due to certain risk data limitations, statistical relationships to macroeconomic variables were not deemed to be statistically significant (e.g. in those territories where the Group has recently launched new products resulting in limited available historical default experience), the Group has utilised proxy statistical data available in other territories with close geographical and demographic similarities.

The Group is exploring the use of alternative statistical methodologies that are mathematically more enhanced than linear regression analysis in order to find more statistically significant relationships between default and unemployment in each of its territories of operation and hence, improve the reliability of its macroeconomic modelling approach. The Group advanced significantly in terms of development of alternative statistical methodology during 2020. A particular model, which is still in testing phase and is being run in parallel to the current ECL model, analyses the relationship between the time series of defaults observed at country and/or product level with multiple macroeconomic variables. This other model takes into account both the short-term effect, that is, the effect of unemployment as well as the long-term effect. In simple terms, it means that this other model has an inbuilt error correction term that provides for observed deviations from a long-run equilibrium which in turn influences its short-run dynamics. It also takes into account the speed at which defaults return to equilibrium after a change in other variables namely unemployment given the longer-term equilibrium. Other than the enhanced statistical methodology, this other model uses the country specific macroeconomic variable that is most relevant as opposed to the Eurozone unemployment rates used by the current linear model, given the huge variability across countries particularly due to COVID-19 and differing government furloughs and fiscal measures.

In determining the ECL under both models, three possible scenarios are considered to capture non-linearity across credit portfolios. The 'base line' scenario represents the most-likely outcome. It is based on authoritative sources forecasting economic variables referred to above and providing the best estimate view of the European economy. Apart from the 'base line' scenario, the Group considers two other macro-economic scenarios – Upside and Downside scenarios – which respectively represent a more optimistic and a more pessimistic outcome. Such scenarios reflect the current top and emergent risks and opportunities. The more optimistic and more pessimistic scenarios are economically plausible and will not necessarily be as severe as scenarios used in stress testing.

Each scenario is weighted by a probability of occurrence, determined by a combination of macroeconomic research and expert credit judgment, taking account the range of possible outcomes each chosen scenario represents. The Group measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any macroeconomic forecasts, the projections and likelihoods of occurrence are subject to a high degree of uncertainty particularly during a year with heightened uncertainty due to COVID-19, and therefore, the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes.

The weightings assigned to each economic scenario were 60% for the 'Base' scenario, 20% for the 'Downside' scenario and 20% for the 'Upside' scenario. The number of scenarios used is based on the analysis of each major product type to ensure that non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. The probability weightings assigned to the respective scenarios reflect an unbiased evaluation of range of possible outcomes.

On the basis of macroeconomic forecasts and data available at the reporting date, the weightings applied take into account the following:-

For baseline Scenario, the recent vaccine news points to a faster vaccination rollout than previously assumed. As a result, Oxford Economics raised world GDP growth forecast for 2021 to 5.2% from 4.9%, after an estimated 4.0% decline in 2020, and now judge the risks around the Groups baseline forecast to be more broadly balanced on expectations that advanced economies to begin a meaningful and sustained lifting of restrictions around March/April time, triggering a mid-year mini-boom in these economies. Although the chances of a stronger recovery have risen, a medium-term economic scarring impact from the pandemic remains.

For the downturn scenario, management has adopted the global second wave scenario being more severe in terms of outlook. It envisages a "W-shaped" scenario in which a global second wave of coronavirus infections prompts introduction of restrictions in some countries and the extension of existing lockdowns in others. Cases surge in Q1 2021, and demand falters as lockdowns and social distancing measures are introduced. The shock unwinds around 70% of the recovery from the first wave, with world GDP contracting to nearly 6% below baseline levels in Q1 2021. After restrictions are lifted in Q2, an initially sharp rebound is followed by sluggish growth amid increased risk aversion among households and business as well as more permanent damage to potential output, with world GDP ending 3.5% below baseline levels.

An upside scenario is modelled for global economy in which restrictions are shorter in duration, all countries experience a faster recovery and permanent damage to the global economy from the pandemic proves minimal. In the scenario, widely available medical advancements – such as a vaccine, therapeutics or robust track and trace networks – allow a faster return to normal, with restrictions eased three months earlier than in the baseline. The global economy rebounds strongly in the first half of 2021 and robust output of 2.7% above baseline is seen in 2021. Global GDP marginally above our pre-coronavirus baseline in 2022 and 2023, staying above the pre-coronavirus trend until the end of the scenario at which point world GDP lies 2.5% above the current baseline.

The Eurozone unemployment rate inputs used in the current linear model were taken from Oxford Economics and are as follows:

As of 31 December 2020

	2021	2022	2023	2024	2025
Eurozone-Av. Unemployment					
Base	9.1	8.3	7.8	7.5	7.3
Upside	8.1	7.3	7.1	6.9	6.8
Downside	11.0	10.0	10.0	8.9	8.5

As of 31 December 2019

	2020	2021	2022	2023	2024
Eurozone-Av. Unemployment					
Base	7.3	7.2	7.2	7.1	7.0
Upside	7.0	6.6	6.5	6.4	6.3
Downside	7.7	7.8	7.8	7.7	7.5

*YoY = year on year % change

On the basis of the above the Group's model assessing the macro-economic impact on ECL as at 31 December 2020 continues to provide an adequate determination of the ECL based on the inputs as disclosed above and on the basis of its management judgement and hence no additional credit loss reserve is deemed to be required other than those booked during 2020. Also under the current heightened uncertainty it was deemed prudent not to release any credit loss reserves whenever the models prescribed so, throughout the year 2020 to avoid volatility in reserves also notwithstanding that clients' payment behaviour remained robust during 2020. Management will continue to closely monitor the economic forecasts releases and adjust its model inputs and assess its' outcomes in the light of revised macroeconomic data and other quantitative and qualitative information.

3.2.9 Maximum exposure to credit

An 'exposure' is defined as the amount at risk arising from the Group's assets and off-balance sheet items. The Group's maximum credit risk with respect to on- and off-balance sheet items can be classified into the following categories:

- Financial assets recognised on-balance sheet comprising principally balances with cash and cash equivalents, loan receivables, receivables from sold portfolios and loans and advances to customers. The maximum exposure to credit risk of these financial assets equals their gross carrying amounts.
- Loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities. The maximum exposure to credit risk is the full amount of the committed facilities. However, the likely amount of loss is less than the total unused commitments as most commitments to extend credit are contingent upon customers maintaining specific credit standards. These exposures are monitored in the same manner in respect of loans and advances and predominantly arise on revolving micro-credit facilities.

Ferratum Group's credit risk exposures relating to on-balance sheet assets, reflecting the maximum exposure to credit risk excluding collateral held or other credit enhancements are as follows:

	31 December 2020 Gross exposure € 000	ECL allowance € 000	1 January 2020 Gross exposure € 000	ECL allowance € 000
Credit risk exposures relating to on-balance sheet assets:				
Subject to IFRS 9 impairment allowances				
Financial assets measured at amortised cost:				
Cash and cash equivalents	236,564	0	155,518	0
Loans and advances to customers	507,372	146,417	555,914	169,747
Non-current receivables	4,301	0	3,112	0
Current receivables	9,127	0	9,166	0
Credit risk exposure	**757,364**	**146,417**	**723,710**	**169,747**

3.2.10 Credit concentration risk

Within the Group, concentration risk of losses results from inadequate diversification of the credit exposures. This risk is managed by actively measuring, reporting and monitoring on a regular and ongoing basis, risk concentration levels against reasonable thresholds for counterparties, products, and territories.

Credit concentration risk for counterparties

Ferratum Group's loans and advances to customers comprise of retail exposures which are individually insignificant. The Group's loans and advances comprise a large number of customers accounts. Nonetheless, these exposures are monitored and reported frequently and rigorously.

Credit concentration risk by geographical region

The geographical concentration of the Group's financial assets as at the end of the reporting period has been analysed. For the purposes of this analysis, the Group has allocated exposures to regions based on the country of domicile of the respective customers or counterparties.

3.2.11 Information on credit quality loans and advances to customers

Ferratum Group manages the credit quality of its loans and advances to customers by using internal risk grades, which provide a progressively increasing risk profile ranging from 'Regular' (best quality, less risky) to 'Loss'. These risk grades are an essential tool for the Group to identify both non-performing exposures and better-performing customers. The internal risk grades used by the Group are as follows:

- Performing: Internal grade 'Regular'
- Under performing: Internal grades 'Watch' and 'Substandard'; and
- Non-performing: Internal grades 'Doubtful' and 'Loss'.

Regular

The Group's loans and advances to customers which are categorised as 'Regular' are principally debts in respect of which payment is not overdue by 30 days and no recent history of customer default exists. Management does not expect any losses from non-performance by these customers, which are considered as fully performing.

Watch

Loans and advances to customers that attract this category principally comprise those where

(i) payment becomes overdue by 30 days, but does not exceed 60 days where a loan is deemed to be as non-performing when past due for more than 90 days;

(ii) and payment becomes overdue by 30 days but does not exceed 45 days where a loan is deemed to be as non-performing when past due for more than 60 days.

Substandard
Loans and advances that are categorised within this category comprise those where

(i) payment becomes overdue by 61 days but does not exceed 90 days for where a loan is deemed to be as non-performing when past dues for more than 90 days.

(ii) and where payment becomes overdue by 46 days, but does not exceed 60 days where a loan is deemed to be as non-performing when past due for more than 60 days.

Doubtful

Loans and advances which attract a 'Doubtful' grading are principally those assets in respect of which

I. payment becomes overdue by 61 days and over but not exceeding 180 days for where a loan is deemed to be as non-performing when past due for more than 60 days;

II. and where payment becomes overdue by 91 days and over but not exceeding 180 days for a loan is deemed to be as non-performing when past due for more than 90 days.

Loss
Loans and advances in respect of which payment becomes overdue by 180 days.

The Group does not have a material amount of individually impaired loan receivables. The ageing analysis of loan receivables which are collectively assessed for impairment is as follows:

	2020			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	€'000	€'000	€'000	€'000
Loans and advances to customers				
Regular	304,112	0	0	304,112
Watch	0	14,812	0	14,812
Substandard	0	9,158	0	9,158
Doubtful	0	0	29,908	29,908
Loss	0	0	149,381	149,381
Gross carrying amount	**304,112**	**23,970**	**179,290**	**507,372**
Loss allowance	20,589	7,818	118,011	146,417
Carrying amount	**283,523**	**16,152**	**61,280**	**360,955**
Impaired Loan Coverage Ratio (ICLR)	**6.8%**	**32.6%**	**65.8%**	**28.9%**

	2019			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	€'000	€'000	€'000	€'000
Loans and advances to customers				
Regular	321,722	0	0	321,722
Watch	0	21,371	0	21,371
Substandard	0	11,715	0	11,715
Doubtful	0	0	32,154	32,154
Loss	0	0	168,952	168,952
Gross carrying amount	**321,722**	**33,086**	**201,105**	**555,914**
Loss allowance	23,330	8,822	137,594	169,747
Carrying amount	**298,392**	**24,263**	**63,511**	**386,167**
Impaired Loan Coverage Ratio (ICLR)	**7.3%**	**26.7%**	**68.4%**	**30.5%**

3.2.12 Modification of financial assets

The Group sometimes modifies the terms of loans provided to customers with a view to maximimising recovery. As explained previously, restructuring of loans granted by the Group is not deemed to constitute a forbearance measure in relation to customers experiencing difficulties in repaying the loan.

More specifically, loan rescheduling is a concession which could be granted by the Group, in certain circumstances, in response to a customer's request. Under certain specified conditions, the Group provides loan rescheduling to borrowers by agreeing to modify the contractual payment terms of loans in order to improve the management of customer relationships, maximise collection opportunities and, if possible, avoid default. Rescheduling occurs when a customer applies to extend the loan repayment date, subject to the immediate payment of a rescheduling fee.

Rescheduling is only granted in situations where the customer has showed a willingness to repay the loan and is expected to be able to meet the obligation following the extension of the credit period. The Group's credit policy sets out restrictions on the number of rescheduling measures together with the minimum period of the Group's relationship with the customer before a rescheduling measure can be considered. Rescheduling usually takes place before due date, but the rescheduling option is also available after the due date.

The Group monitors the subsequent performance of modified assets. Given that the Group's rescheduling of facilities is not deemed to constitute a forbearance measure, this is not deemed to represent a qualitative indicator of a significant increase in credit risk.

The risk of default of modified assets is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial it does not result in derecognition of the original asset (refer to Note 2.10).

3.2.13 Loss Allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between 'Stage 1' and 'Stages 2' or 3 due to financial instruments experiencing significant increase (or decreases) in credit risk or becoming credit-impaired in the period, and the consequent “step up” (or “step down”) between 12-month and Lifetime ECL;

- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised during the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans and advances to customers				
Loss allowance as at 1 January 2020	**23,330**	**8,822**	**137,594**	**169,747**
Transfers of financial instruments				
Transfer from Stage 1 to Stage 2	(990)	3,483	-	2,492
Transfer from Stage 1 to Stage 3	(5,080)	-	27,810	22,730
Transfer from Stage 2 to Stage 1	683	(2,140)	-	(1,457)
Transfer from Stage 2 to Stage 3	-	(6,461)	11,979	5,518
Transfer from Stage 3 to Stage 1	296	-	(2,033)	(1,737)
Transfer from Stage 3 to Stage 2	-	332	(365)	(33)
Other transfers - Aging change	300	154	14,734	15,187
Total remeasurement of loss allowance arising from transfers in stages	**(4,792)**	**(4,632)**	**52,124**	**42,700**
New financial assets originated or purchased	34,222	9,424	39,050	82,696
Changes to risk parameters (model inputs PDs/LGDs/EADs)	3,643	203	5,434	9,280
Financial assets derecognised during the year	(35,669)	(5,900)	(87,797)	(129,367)
Write-offs			(20,868)	(20,868)
Unwind of discount			(4,028)	(4,028)
FX and Other movements	(146)	(99)	(3,499)	(3,744)
Total net change in loss allowance during the year	(2,742)	(1,004)	(19,584)	(23,330)
Loss allowance as at 31 December 2020	**20,589**	**7,818**	**118,010**	**146,417**

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans and advances to customers				
Loss allowance as at 1 January 2019	**22,325**	**7,351**	**117,597**	**147,273**
Transfers of financial instruments				
Transfer from Stage 1 to Stage 2	(1,103)	3,449	-	2,346
Transfer from Stage 1 to Stage 3	(5,557)	-	25,381	19,823
Transfer from Stage 2 to Stage 1	700	(1,139)	-	(439)
Transfer from Stage 2 to Stage 3	-	(5,031)	7,973	2,941
Transfer from Stage 3 to Stage 1	1,396	-	(3,807)	(2,412)
Transfer from Stage 3 to Stage 2	-	208	(218)	(10)
Other transfers - Aging change	(3,090)	(35)	21,011	17,886
Total remeasurement of loss allowance arising from transfers in stages	**(7,654)**	**(2,548)**	**50,339**	**40,137**
New financial assets originated or purchased	53,705	9,292	51,789	114,785
Changes to risk parameters (model inputs PDs/LGDs/EADs)	(2,212)	(1,415)	(1,415)	(5,041)
Financial assets derecognised during the year	(42,838)	(3,907)	(60,357)	(107,102)
Write-offs	(2)	44	(17,429)	(17,387)
Unwind of discount	-	-	(2,995)	(2,995)
FX and Other movements	7	4	66	77
Total net change in loss allowance during the year	1,005	1,471	19,997	22,474
Loss allowance as at 31 December 2019	**23,330**	**8,822**	**137,594**	**169,747**

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans and advances to customers				
Gross carrying amount as at 1 January 2020	**321,722**	**33,086**	**201,105**	**555,914**
Transfers from stage 1 to stage 2	(14,230)	14,230	-	-
Transfers from stage 1 to stage 3	(51,961)	-	51,961	-
Transfers from stage 2 to stage 1	10,214	(10,214)	-	-
Transfers from stage 2 to stage 3	-	(20,538)	20,538	-
Transfers from stage 3 to stage 1	4,040	-	(4,040)	-
Transfers from stage 3 to stage 2	-	1,432	(1,432)	-
Total changes in gross carrying amounts arising from transfers in stages	**(51,938)**	**(15,090)**	**67,027**	**-**
New financial assets originated or purchased	621,870	29,965	66,628	718,462
Financial assets derecognised during the year	(587,802)	(23,786)	(129,890)	(741,478)
Write-offs	-	-	(20,868)	(20,868)
FX and Other Movements	260	(204)	(4,713)	(4,658)
Total net change during the year	**(17,610)**	**(9,116)**	**(21,816)**	**(48,542)**
Gross carrying amount as at 31 December 2020	**304,112**	**23,970**	**179,290**	**507,372**

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans and advances to customers				
Gross carrying amount as at 1 January 2019	**262,280**	**24,359**	**181,172**	**467,811**
Transfers from stage 1 to stage 2	(10,620)	10,620	-	-
Transfers from stage 1 to stage 3	(50,598)	-	50,598	-
Transfers from stage 2 to stage 1	3,628	(3,628)	-	-
Transfers from stage 2 to stage 3	-	(14,947)	14,947	-
Transfers from stage 3 to stage 1	6,529	-	(6,529)	-
Transfers from stage 3 to stage 2	-	410	(410)	-
Total changes in gross carrying amounts arising from transfers in stages	**(51,061)**	**(7,544)**	**58,605**	**-**
New financial assets originated or purchased	817,787	41,417	95,060	954,263
Financial assets derecognised during the year	(708,386)	(25,215)	(112,758)	(846,360)
Write-offs	-	-	(17,387)	(17,387)
FX and Other Movements	1,103	69	(3,586)	(2,414)
Total net change during the year	**59,442**	**8,727**	**19,934**	**88,102**
Gross carrying amount as at 31 December 2019	**321,722**	**33,086**	**201,105**	**555,914**

3.2.14 Write-off Policy

The Group writes off loans and advances to customers when it determines that these are uncollectible and it has exhausted all practical recovery efforts. This is generally the case when the Group has applied debt recovery strategies for a significant period of time and has concluded there is no reasonable expectation of recovery.

In those cases where it has no reasonable expectation of full or partial recovery from overdue credit facilities, the Group may opt to conduct one-off loan portfolio sales with third parties. Subsequent to the conduct of such sales, the Group writes-off any unrecovered amounts (after taking into account expected credit losses originally reserved against the portfolio).

3.2.15 Collateral

The Group's short-term consumer lending portfolio is generally unsecured, in line with the typical nature and characteristics observed for short-term retail portfolios.

In Business Lending a factoring model has been introduced in one country where collateral is available. The portfolio relatively small though and not considered for the calculation of credit loss provisions.

3.3 Market Risk

Ferratum Group takes on exposure to market risks, which are the risks that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates and foreign exchange rates.

a) Foreign exchange risk Ferratum Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Transaction risk arises from future commercial transactions, recognized assets and liabilities. Translation risk arises from net investments in foreign operations.

Ferratum Group treasury's risk management policy is to hedge the main FX exposures in non-euro currencies. Management has set up a policy to require Ferratum Group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. On the reporting date, the Group companies mainly had transactions in their respective functional currencies, and accordingly, the transaction risk in the Group companies was minimal.

The Group has several investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

Intra-group loans between the parent and other Group companies are usually denominated in the Group companies' functional currencies, which creates some transaction risk that is not eliminated in consolidation. Currency exposure arising from the monetary transactions in foreign currencies are managed primarily through foreign exchange swaps and forward contracts.

As a result of intra group borrowings, main foreign exchange risk arises from Polish zloty and Swedish crown. Based on the various scenarios, the Group manages its cash flow foreign exchange risk by using foreign exchange swaps and forward contracts. Part of the foreign exchange risk arising from the net assets denominated in Polish zloty (PLN) and Swedish crown (SEK) was hedged by using a PLN-EUR and SEK-EUR foreign exchange forward contracts.

The table below shows the nominal value of the forward contracts and the covering of the Group's net assets denominated in Polish zloty and Swedish crown. It also presents the effect in after-tax profit if the euro had weakened/strengthened by 10% against the currencies with all other variables held constant.

31 Dec EUR ‘000	PLN 2020	PLN 2019	SEK 2020	SEK 2019
Cash in bank	14, 808	8,140	8,367	3,517
Portfolio	9,960	45,940	44,278	13,852
Intercompany loan	14,481	21,099	22,924	67,148
Net position of group companies	**39,249**	**71,179**	**75,569**	**84,517**
EUR/Currency swap	41,634	41,589	63,773	42,368
Swap covering net currency position %	106%	58%	84%	50%

Changes in after-tax EUR’000	PLN 2020	PLN 2019	SEK 2020	SEK 2019
Currency up by 10%	-238	2,367	1,180	3,372
Currency down by 10%	238	-2,367	-1,180	-3,372

b) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

Ferratum Group’s main interest rate risk arises from long-term borrowings which are issued at fixed and variable rates. These expose Ferratum Group to cash flow interest rate risk which is partially offset by having a short-term loan portfolio as a main asset in the Group. Increasing refinancing cost can potentially be covered by corresponding price changes in the new loans granted whereby the spread between lending interest and borrowing interest is comparatively high. During the year ended December 31, 2020, Ferratum Group’s borrowings at a variable rate were denominated in EUR.

EUR ’000	31 Dec 2020	31 Dec 2019
Fixed interest rate borrowings	4,379	6,798
Variable interest rate borrowings	174,849	216,677
Total borrowings	**179,228**	**223,476**

Ferratum Group analyzes its interest rate exposures on a continous basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, Ferratum Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest- bearing positions.

3.4 Liquidity Risk

Cash flow forecasting is performed in the operating entities of Ferratum Group and aggregated by Ferratum Group finance. Ferratum Group finance monitors rolling forecasts of the Group’s liquidity requirements to ensure that it has sufficient cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes in to consideration, the Group’s debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements, currency restrictions, for example - Surplus cash held by the operating entities over and above the balance required for working capital management are transferred to the Group treasury. Ferratum Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

During 2020 the Group increased its deposits from clients resulting in a major inflow of funding. Special attention was given on increasing the amount of noncurrent deposits improving the Groups funding profile considerably, giving the Group an enhanced ability to cope with potential negative events caused by COVID-19 or other factors during 2020.

The repayment schedule for financial liabilities as of December 31, 2020, including future interest payments, are as follows. Variable interest payments are estimated based on the spot interest rate level on the balance sheet date.

31 Dec 2020 EUR '000	Less than 12 months	Between 1-2 years	Between 2-5 years	Over 5 years
Bonds issued		180,000		
Interest	9,900	6,692	1,467	
Other non-current liabilities		1,152	1,008	
Deposits from customers	275,833	35,275	28,413	
Interest	2,330	296	239	
Trade payables and other current liabilities	12,957			
Lease liabilities	2,418	1,855	106	
Total, without derivatives	**303,439**	**225,270**	**31,233**	**0**
Gross settled foreign exchange futures contracts				
- Inflow(-)	(166,854)			
- Outflow	170,580			

31 Dec 2019 EUR '000	Less than 12 months	Between 1-2 years	Between 2-5 years	Over 5 years
Bank borrowings	7,567			
Interest	757			
Bonds issued	40,000		180,000	
Interest	12,400	9,900	10,267	
Deposits from customers	242,161			
Interest	1,734			
Trade payables and other current liabilities	6,685			
Lease liabilities	2,398	2,608	1,792	
Total, without derivatives	**313,701**	**12,508**	**192,059**	**0**
Gross settled foreign exchange futures contracts				
-Inflow(-)	(113,983)			
- Outflow	116,213			

3.5 Capital management

Ferratum Group's objectives when managing capital are to safeguard Ferratum Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for the Group's stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Ferratum Group may adjust the amount of dividends paid to shareholders, issue new bonds or sell assets to reduce debt.

Ferratum Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by equity. Net debt is calculated as total interest bearing liabilities (including 'current and non-current liabilities' as shown in the consolidated balance sheet) less cash and cash equivalents.

Net interest bearing debt to equity ratio EUR '000	31 Dec 2020	31 Dec 2019
Cash and cash equivalents	236,564	155,518
Borrowings and deposits due within 1 year	(275,833)	(289,675)
Borrowings and deposits due after 1 year	(238,537)	(169,164)
Lease liability due within 1 year	(2,418)	(2,389)
Lease liability due after 1 year	(1,961)	(4,400)
Net debt	**(282,185)**	**(310,118)**
Cash	236,564	155,518
Gross debt - fixed interest rates	(280,382)	(80,393)
Gross debt - variable interest rates	(210,030)	(377, 823)
Gross debt - non-interest bearing	(28,338)	(7,420)
Net debt	**(282,185)**	**(310,118)**

EUR '000	Cash and Cash Equivalents	Govern-ment Bonds	Borrowings due within 1 year	Borrowings due after 1 year	Total
Net debt as at 1 January 2019	**115,559**	**8,553**	**(228,287)**	**(137,695)**	**(241,890)**
Cash flow	43,208	(8,533)	(63,786)	(35,869)	(64,980)
Foreign exchange adjustments	(3,248)				(3,248)
Net debt as at 31 December 2019	**155,518**	**0**	**(292,073)**	**(173,564)**	**(310,118)**
Cash flow	83,345		13,821	(66,934)	28,072
Foreign exchange adjustments	(2,300)				(2,300)
Net debt as at 31 December 2020	**236,564**	**0**	**(278,252)**	**(240,498)**	**(282,185)**

3.6 Carrying values and fair values of financial instruments

Financial assets and liabilities measured at fair value, and for which fair value is disclosed in the notes, are classified on three levels, depending on the estimated reliability of the valuation method:

Level1: .
A quoted market price for identical instruments in an active market where the Group can access on the measurement date.

Level 2:
Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3:
Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table shows the carrying amounts and fair values of the Group's financial instruments and their level of measurement, where the carrying amount is not a reasonable approximation of the fair value due to the short maturity:

Financial instruments, EUR '000	31 Dec 2020	31 Dec 2020	31 Dec 2019	31 Dec 2019	Level of fair value measurement
	Carrying value	Fair value	Carrying value	Fair value	
Financial assets					
Items recognized at fair value through profit and loss					
Foreign exchange derivative	496	496	15	15	Level 2
Financial liabilities					
Items recognized at amortized cost					
Loans from financial institutions	-	-	7,567	7,567	Level 3
Bonds	174,849	164,332	209,111	212,392	Level 1
Other non-current liabilities	2,160	2,160			Level 3
Deposits from customers	339,522	339,522	242,161	242,161	Level 3
Items recognized at fair value through profit and loss					
Foreign exchange derivative	3,230	3,230	2,215	2,215	Level 2

The fair value of foreign exchange derivatives are calculated as the present value of the estimated future cash flows based on observable yield curves. The Group has during the period experienced increased volatility in foreign exchange and has in reaction to this increased the volume of derivative instruments to mitigate FX risk.

Fair value of bonds issued by the Group are measured directly by reference to their market price in an active market. The market value of the Group's bonds decreased during the period due to a deriorating market sentiment caused by the COVID-19 pandemic.

Loans from financial institutions are fair valued based on the present value of the estimated future cash flows using the approximate interest rate for which Ferratum Group would get the loan on the reporting date. These are categorized within level 3, given that credit spread is a significant unobservable input based on management's estimation.

Carrying values for the Group's loans and receivables and trade and other short-term liabilities are a reasonable approximation of their fair value and accordingly, fair value is not presented.

4. Critical accounting estimates and judgements

The amounts recognized in the financial statements are sensitive to the accounting policies, assumptions and estimates that underlies the preparation of financial statements. The judgements made by management in applying the Group's accounting policies that have the most significant effect on the amounts recognized in the financial statements, together with information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are either disclosed below or in the remaining notes to the financial statements.

4.1 Impairment losses on loan and advances

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). The estimation of ECL is complex and requires the use of models. The statistical model used to calculate loss allowance are based on macro-economic scenarios. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 3.2.7.

The Group develops three scenarios to derive the unbiased and probability weighted ECL. In the process, management judgement is applied in determination of scenario setting and assignment of probability weighting for each scenario, with quantitative analysis of historical economic performance and qualitative analysis of macroeconomic environment. Explanation of how forward-looking information is incorporated in the ECL model is further detailed in note 3.2.8.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL.

5. Segment information

Ferratum Group's operating segments are based on the major product types provided by Ferratum: Microloans, PlusLoans, Credit Limit, CapitalBox (SME) and Mobile bank including Primeloan.

Product	Microloan	PlusLoan	Credit Limit	CapitalBox (SMEs)	Mobile bank and Primeloan
Loan amount €	25 - 1,000	300 - 5,000	Up to 4,000	Up to 350,000	3,000 - 20,000
Terms	7 -90 days	2 - 36 months	Digital revolving credit line	6 -24 months	1 - 10 years

Attributable product margin is defined and calculated as a difference between the revenue, other income and directly attributable costs of each product segment. Costs non-directly attributable are allocated according to the share of revenue and finance costs are allocated according to the portfolio size of related products types, i.e. their share in total loans and advances to customers

5.1 Business segments in 2020

EUR '000	Microloans	PlusLoans	Credit Limit	CapitalBox	Mobile bank and prime loan	Total
Revenue	21,746	41,104	136,772	26,311	3,631	229,565
Share in revenue, %	9.5	17.9	59.6	11.5	1.6	100.0
Other income	48	91	304	59	-	503
Directly attributable costs:						
Impairments	(8,100)	(31,676)	(43,012)	(7,148)	(2,958)	(92,894)
Marketing	(3,162)	(4,103)	(11,419)	(3,467)	(927)	(23,078)
Attributable profit margin	**10,533**	**5,417**	**82,645**	**15,755**	**(255)**	**114,095**
Attributable profit margin, %	48.4	13.2	60.4	59.9		49.7
Non-directly attributable costs:						
Personnel expenses	(3,202)	(6,052)	(20,137)	(3,874)	(684)	(33,948)
Lending costs	(1,320)	(2,496)	(8,305)	(1,598)	-	(13,719)
Other administrative expenses	(58)	(110)	(365)	(70)	(762)	(1,366)
Depreciation and amortization	(950)	(1,795)	(5,974)	(1,149)	(3,486)	(13,354)
Other operating income and expenses	(2,721)	(5,143)	(17,113)	(3,292)	(461)	(28,730)
Total non-directly attributable costs	**(8,251)**	**(15,596)**	**(51,895)**	**(9,983)**	**(5,392)**	**(91,118)**
Operating profit	**2,282**	**(10,179)**	**30,750**	**5,771**	**(5,647)**	**22,977**
Gross profit margin, %	10.5	(24.8)	22.5	21.9		10.0
Unallocated finance income						521
Finance expenses	(647)	(1,710)	(10,203)	(2,990)	(1,595)	(17,144)
Unallocated finance expense						(4,577)
Finance costs, net	(647)	(1,710)	(10,203)	(2,990)	(1,595)	(21,201)
Profit before income tax	**1,635**	**(11,890)**	**20,547**	**2,782**	**(7,241)**	**1,777**
Net profit margin, %	7.5	(28.9)	15.0	10.6		0.8
Loans and advances to customers	13,620	36,005	214,814	62,943	33,572	360,955
Unallocated assets						314,127
Unallocated liabilities						549,514

5.2 Business segments in 2019

EUR '000	Microloans	PlusLoans	Credit Limit	CapitalBox	Mobile bank and prime loan	Total
Revenue	36,974	65,711	159,035	27,841	3,543	293,104
Share in revenue, %	12.6	22.4	54.3	9.5	1.2	100.0
Other income	17	29	71	12	-	130
Directly attributable costs:						
Impairments	(13,916)	(28,371)	(51,106)	(8,725)	(3,567)	(105,684)
Marketing	(2,536)	(7,834)	(21,871)	(5,617)	(970)	(38,828)
Attributable profit margin	**20,539**	**29,535**	**86,130**	**13,512**	**(995)**	**148,722**
Attributable profit margin, %	55.6	44.9	54.2	48.5		50.7
Non-directly attributable costs:						
Personnel expenses	(5,457)	(9,698)	(23,471)	(4,109)	(1,191)	(43,925)
Lending costs	(2,279)	(4,050)	(9,803)	(1,716)	-	(17,849)
Other administrative expenses	(112)	(199)	(481)	(84)	(802)	(1,678)
Depreciation and amortization	(1,156)	(2,054)	(4,971)	(870)	(1,771)	(10,822)
Other operating income and expenses	(3,478)	(6,181)	(14,960)	(2,619)	(1,678)	(28,916)
Total non-directly attributable costs	**(12,481)**	**(22,182)**	**(53,686)**	**(9,398)**	**(5,442)**	**(103,189)**
Operating profit	**8,058**	**7,353**	**32,444**	**4,114**	**(6,437)**	**45,532**
Gross profit margin, %	21.8	11.2	20.4	14.8		15.5
Unallocated finance income						256
Finance expenses	(1,035)	(3,323)	(7,603)	(3,086)	(700)	(15,746)
Unallocated finance expense						(2,498)
Finance costs, net	(1,035)	(3,323)	(7,603)	(3,086)	(700)	(17,989)
Profit before income tax	**7,022**	**4,030**	**24,842**	**1,028**	**(7,136)**	**27,543**
Net profit margin, %	19.0	6.1	15.6	3.7		9.4
Loans and advances to customers	25,391	81,488	186,446	75,678	17,164	386,167
Unallocated assets						232,660
Unallocated liabilities						489,689

5.3 Revenue

EUR '000	2020	2019
Revenue, international	201,001	246,132
Revenue, domestic	28,564	46,972
Total revenue	**229,565**	**293,104**

5.4 Revenue of business segments geographically

In addition to operating segments represented by different types of products the management of Ferratum Group continues analysis of revenue by geographical location. All the countries where the Group has operating activities are combined into four regions. The detailed list of countries within each region together with the total regions' revenues for the year ended 31 December 2020 and the year ended 31 December 2019 are presented in the following table.

EUR '000		2020	2019
Northern Europe	Finland, Sweden, Denmark, Norway	108,108	127,081
Western Europe	France, Germany, Netherlands, Spain, UK	32,197	57,912
Eastern Europe	Bulgaria, Croatia, Czech, Estonia, Latvia, Lithuania, Poland, Romania, Russia, Slovakia	79,873	97,138
Rest of the World	Australia, Brazil, Canada, Mexico, New Zealand, Nigeria	9,387	10,973
Total revenue		**229,565**	**293,104**

6. Personnel expenses

EUR '000	2020	2019
Salaries and other employee benefits (incl. bonuses)	(27,920)	(33,303)
Employee pension expenses	(1,682)	(1,754)
Other personnel expenses	(3,997)	(7,427)
Share-based payments equity settled	(349)	(1,441)
Total personnel expenses	**(33,948)**	**(43,925)**

7. Depreciation and amortisation

EUR '000	2020	2019
Tangible assets		
Machinery & Equipment	(622)	(527)
Other tangible assets	(205)	(198)
Right-of-use assets	(2,352)	(2,503)
Total tangible assets	**(3,179)**	**(3,228)**
Intangible assets		
Trademarks and licenses	(227)	-
Internally generated software development costs	(6,201)	(4,658)
IT Software	(3,747)	(2,936)
Total intangible assets	**(10,175)**	**(7,594)**
Total depreciation and amortization	**(13,354)**	**(10,822)**

8. Other operating expenses

EUR '000	2020	2019
Other office expenses	(1,224)	(1,848)
Expenses relating to short-term leases	(98)	(203)
Travel expenses	(328)	(1,805)
Professional fees (excl. Audit)	(9,880)	(9,067)
Audit fees	(709)	(807)
Other expenses	(16,492)	(15,186)
Total other operating expenses	**(28,730)**	**(28,916)**

Audit fees and other services from audit companies

EUR '000	2020	2019
PwC		
Audit fees	577	605
Non-audit fees:		
Audit related services		
Tax advice	24	17
Other services	652	652
Other audit companies		
Audit fees	132	202
Non-audit fees:		
Tax advice	25	176
Other services	6	39
Total audit fees	**709**	**807**
Total non-audit fees	**707**	**884**

PricewaterhouseCoopers Oy has provided non-audit services to entities of Ferratum Group in total 15 thousand euros during the financial year 2020. These services included auditors' statements (0 thousand euros), tax services (0 thousand euros) and other services (15 thousand euros).

9. Finance income

EUR '000	2020	2019
Interest income from cash and cash equivalents	521	209
Interest derivatives held for trading – net gain	-	47
Total finance income	**521**	**256**

10. Finance costs

EUR '000	2020	2019
Interest on borrowings	(17,144)	(15,746)
Interest expenses on leases	(323)	(469)
Foreign exchange loss*	(4,255)	(2,029)
Total finance costs	**(21,722)**	**(18,244)**

*Includes net gain / (loss) of currency derivatives.

11. Income tax expenses

EUR '000	2020	*2019
Current tax:		
Current tax on profits for the year	(3,186)	(3,450)
Adjustments in respect of prior years	650	149
Other direct taxes	(415)	(578)
Total current tax	**(2,952)**	**(3,879)**
Deferred tax:		
Origination and reversal of temporary differences	1,660	(624)
Total deferred tax	**1,660**	**(642)**
Total income tax expense	**(1,292)**	**(4,521)**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows

EUR '000	2020	*2019
Profit before tax	**1,777**	**27,543**
Tax calculated at Finnish tax rate	(355)	(5,509)
Tax effects of:		
– Difference between Finnish tax rate and rates in other countries	6,192	3,198
– Income not subject to tax	4,308	1,540
– Expenses not deductible for tax purposes	(7,652)	(1,465)
– Utilization of previously unrecognized tax losses	899	82
– Tax losses for which no deferred income tax asset was recognized	(3,955)	(1,225)
– Tax assets recognised from previously unrecognised Tax losses	-	196
– Write down of previously recognised tax losses	(963)	(901)
Adjustment in respect of prior years	650	149
Other direct taxes	(415)	(586)
Tax charge	(1,292)	**(4,521)**

*Restated due to change of correction of an error. See note 2.23 for details
After carefully assessing any uncertain tax positions, the company has concluded that all uncertain tax positions if any have been recorded in accounting.*

EUR '000	2020	2019
Losses on carried forward balance on 31 December	**29,913**	**19,142**
of which		
– expires in one year	1,758	1,279
– expires in two years' time	2,116	296
– expires in later than two years	26,039	17,567

The company has in total EUR 15,560,809 of losses carried forward for which no deferred tax assets has been recognized with maturity of 5 years.

12. Leases

Ferratum Group acts as a lessee leasing mainly business premises (rental offices) and machinery and equipment. The Group recognises a leased asset (right-of-use asset) and a lease liability for all leases, except for short-term leases of which the lease term is less than 12 months.

The Group leases office premises with contract term of one to three years. The lease term for open-ended lease contracts was initially estimated as 36 months and later re-estimated yearly for each contract. The office premises may also include parking spaces.

Some leases include an option to renew the lease for an additional period after the end of the contract term. The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. Also, some lease agreements include increases to lease payments that are based on index or are subject to fixed yearly increases.

The Group leases machinery and equipments with contract term of one to three years. These include printers, coffee machines, dataroom servers and other items of machinery and equipment.

Right-of-use assets

EUR '000	Office premises	Machinery and equipment	Total
Cost, opening balance, as of 1 January 2019	**8,003**	**23**	**8,025**
Year ended 31 December 2020			
Additions of the period	897	742	1,639
Disposals of the period	(604)		(604)
Cost, closing balance, as of 31 December 2019	**8,296**	**765**	**9,060**
Cumulative depreciation, opening balance, as of 1 January 2019	**-**	**-**	**-**
Year ended 31 December 2019			
Cumulative depreciation of disposals	136		136
Depreciation for the period	(2,302)	(201)	(2,503)
Cumulative depreciation, closing balance, as of 31 December 2019	**(2,166)**	**(201)**	**(2,367)**
Net book amount, opening balance	**8,003**	**23**	**8,025**
Net book amount, closing balance	**6,130**	**563**	**6,693**
Cost, opening balance, as of 1 January 2020	**8,296**	**765**	**9,060**
Year ended 31 December 2020			
Additions of the period	238	-	238
Disposals of the period	(588)		(588)
Cost, closing balance, as of 31 December 2020	**7,946**	**765**	**8,711**
Cumulative depreciation, opening balance, as of 1 January 2020	**(2,166)**	**(201)**	**(2,367)**
Year ended 31 December 2020			
Cumulative depreciation of disposals	215		215
Depreciation for the period	(2,151)	(201)	(2,352)
Cumulative depreciation, closing balance, as of 31 December 2020	**(4,101)**	**(402)**	**(4,504)**
Net book amount, opening balance	**6,130**	**563**	**6,693**
Net book amount, closing balance	**3,845**	**362**	**4,207**

Right-of-use assets are presented as a separate line item in the consolidated statement of financial position.

Lease liabilities

EUR'000	31 Dec 2020	31 Dec 2019
Current	(2,418)	(2,398)
Non-current	(1 961)	(4,400)
Total	**(4 379)**	**(6,798)**

The above liabilities are presented on the line item Lease liabilities (non-current / current) in the consolidated statement of financial position.

The maturity analysis of lease liabilities is disclosed in Note 3.4.

Amounts recognised in consolidated income statement

EUR'000	31 Dec 2020	31 Dec 2019
Expense relating to short-term leases	(98)	(203)
Depreciation charge for right-of-use assets	(2,352)	(2,503)
Interest expense on lease liabilities	(323)	(469)

The depreciation charges for right-of-use assets are included in the line Depreciation and amortisation in the consolidated income statement. Interest expense on lease liabilities is included in the Finance costs.

Rent expenses related to short-term leases are included in the other operating expenses.

Amounts presented in the cash flow statement

EUR'000	31 Dec 2020	31 Dec 2019
Total cash outflow for leases	**(2,720)**	**(2,900)**

13. Earnings per share

Earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the company and held as treasury shares.

Diluted earnings per share is calculated by adjusting the weighted average number of all shares to assume conversion of all options granted to employees. Options are considered to be potential ordinary share since each option may be converted into one ordinary share. In 2019 options were not considered as dilutive because the exercise price was less than average share price of the period and in 2020 there were no options granted. Option plans are described in disclosure 26.

EUR '000	2020	*2019 Restated
Profit for the reporting period attributable to owners of the parent	485	23,022
Weighted average number of ordinary shares in issue	21,578	21,578
Adjustment for calculation of diluted earnings per share:		
Options	-	-
Diluted weighted average number of ordinary shares in issue	-	-
Earnings per share, basic, EUR	**0.02**	**1.07**
Earnings per share, diluted, EUR	**0.02**	**1.07**

*Restated due to correction of an error. See note 2.23 for details.

14. Business Combinations

During 15th October 2020 Ferratum acquired the SME lending business of SpotCap Netherlands BV and part of its active loan portfolio. The acquisition strengthened the groups position on the Netherlands SME market.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration:	EUR ´000
Cash consideration	1 915
Contingent consideration *	2 000
Total purchase consideration	**3 915**

During 2020 EUR 1,1 million was paid on the cash consideration. The remaining amount will be paid in two equal shares during years 2021 and 2022.

* Ferratum acquired the client register of SpotCap NL. A revenue based purchase consideration was agreed for Ferratums future sales to these clients during three years following the acquisition, the fair value of which was estimated to be EUR 2,0 million by calculating the present value of the future expected cash flows.

The assets and liabilities recognised as a result of the acquisition are as follows:

EUR ‘000	Fair value
Intangible assets, partner network	1 170
Loan receivables	1 915
Net identifiable assets acquired	3 085
Add: goodwill	830
Net assets acquired	3 915

The goodwill is attributable to the workforce and the profitability of the contract database acquired with the business as well as the synergy to be gained from merging the acquired business with Ferratums current lending business in Netherlands.

Impairment testing of goodwill

The goodwill from Spotcap business acquisition was allocated to SME Netherlands cash-generating unit inside the CapitalBox segment. There are no other goodwills.

Due to the acquisition being close to year end, management has assessed that there have been no events or other indicators that would indicate impairment of the goodwill at year end.

15. Property, plant and equipment

EUR '000	Machinery & Equipment	Other tangible assets	Total
Cost, opening balance, as of 1 January 2019	**3,088**	**2,683**	**5,771**
Year ended 31 December 2019			
Additions of the period	411	31	442
Disposals of the period	(11)		(11)
Reclassification during the period	(6)		(6)
Cost, closing balance, as of 31 December 2019	**3,483**	**2,714**	**6,197**
Cumulative depreciation, opening balance, as of 1 January 2019	**(1,284)**	**(333)**	**(1,617)**
Year ended 31 December 2019			
Depreciation for the period	(494)	(200)	(694)
Impairment	9		9
Cumulative depreciation, closing balance, as of 31 December 2019	**(1,769)**	**(533)**	**(2,301)**
Net book amount, opening balance	**1,804**	**2,350**	**4,155**
Net book amount, closing balance	**1,714**	**2,182**	**3,896**
Cost, opening balance, as of 1 January 2020	**3,483**	**2,714**	**6,197**
Year ended 31 December 2020			
Additions of the period	1,798	8	1,805
Disposals of the period	(1,025)	(8)	(1 033)
Reclassification during the period	2		2
Cost, closing balance, as of 31 December 2020	**4,258**	**2,715**	**6,972**
Cumulative depreciation, opening balance, as of 1 January 2020	**(1,769)**	**(533)**	**(2,301)**
Year ended 31 December 2020			
Cumulative depreciation on disposals	90	4	95
Depreciation for the period	(690)	(168)	(858)
Cumulative depreciation, closing balance, as of 31 December 2020	**(2,369)**	**(696)**	**(3,065)**
Net book amount, opening balance	**1,714**	**2,182**	**3,896**
Net book amount, closing balance	**1,889**	**2,018**	**3,907**

16. Intangible assets

NEW TABLE	Immaterial rights	Internally generated software development costs	Computer Software	Total
Cost, opening balance, as of 1 January 2019	**1,109**	**29,224**	**10,284**	**40,617**
Year ended 31 December 2019				
Additions of the period	0	9,492	3,154	12,646
Disposals of the period	(2)	(359)		(361)
Reclassifications		(11,118)	11,124	6
Cost, closing balance, as of 31 December 2019	**1,107**	**27,239**	**24,561**	**52,907**
Cumulative depreciation, opening balance, as of 1 January 2019	**(1,109)**	**(4,546)**	**(4,735)**	**(10,390)**
Year ended 31 December 2019				
Cumulative depreciation of disposals	2			2
Depreciation for the period	(0)	(4,299)	(2,940)	(7,239)
Reclassifications	0	655	(655)	0
Cumulative depreciation, closing balance, as of 31 December 2019	**(1,107)**	**(8,190)**	**(8,330)**	**(17,627)**
Net book amount, opening balance	**1**	**24,678**	**5,549**	**30,227**
Net book amount, closing balance	**0**	**19,049**	**16,232**	**35,281**
Cost, opening balance, as of 1 January 2020	**1,107**	**27,239**	**24,561**	**52,907**
Year ended 31 December 2020				
Additions of the period	2,000	8,134	3,817	13,950
Disposals of the period	(0)	(216)	36	(180)
Reclassifications			(2)	(2)
Cost, closing balance, as of 31 December 2020	**3,107**	**35,156**	**28,412**	**66,675**
Cumulative depreciation, opening balance, as of 1 January 2020	**(1,107)**	**(8,190)**	**(8,330)**	**(17,627)**
Year ended 31 December 2020				
Cumulative depreciation of disposals	0			0
Depreciation for the period	(20)	(6,081)	(4,045)	(10,145)
Cumulative depreciation, closing balance, as of 31 December 2020	**(1,127)**	**(14,271)**	**(12,374)**	**(27,772)**
Net book amount, opening balance	**0**	**19,049**	**16,232**	**35,281**
Net book amount, closing balance	**1,981**	**20,886**	**16,038**	**38,904**

Ferratum Group has neither tangible nor intangible assets pledged as securities for any borrowings.

17. Deferred tax assets and liabilities

Changes in deferred taxes during the financial year 2020

EUR '000	*on 1 Jan 2020 Restated	Recognized in income statement	Recognized in Equity	Translation difference	on 31 Dec 2020
Deferred tax assets					
Tax losses carried forward	4,606	854		(281)	5,157
Deferred revenue and credit loss reserve	2,278	416		(2)	2,693
Derivative	26				26
Total	**6,910**	**1,270**		**(283)**	**7,897**
Deferred tax liabilities					
Discretionary provisions	(672)	390		(18)	(301)
Deferred tax net	**6,238**	**1,660**		**(301)**	**7,596**

Changes in deferred taxes during the financial year 2019

EUR '000	*on 1 Jan 2019 Restated	Recognized in income statement	Recognized in Equity	Translation difference	*on 31 Dec 2019 Restated
Deferred tax assets					
Tax losses carried forward	3,286	1,204		117	4,606
Deferred revenue and credit loss reserve	4,033	(1,750)		(5)	2,278
Derivative	26				26
Total	**7,345**	**(546)**		**111**	**6,910**
Deferred tax liabilities					
Discretionary provisions	(581)	(100)		8	(672)
Deferred tax net	**6,764**	**(646)**		**120**	**6,238**

*Restated due to change of accounting policies and correction of an error. See notes 2.22 and 2.23 for details.

18. Other financial assets

EUR '000	2020	2019
Investments	727	717
Other non-current loan receivables	4,301	3,112
Total	**5,028**	**3,829**

19. Other receivables

EUR '000	2020	2019
Receivables from sold client portfolios	3,848	7,309
VAT-receivables	384	1,048
Rent and other deposits	5,279	1,857
Other prepayments and accrued income on expenses	6,045	4,234
Total	**15,557**	**14,448**

20. Cash and cash equivalents

EUR '000	31 Dec 2020	31 Dec 2019
Cash at bank and in hand	236,564	155,518
Cash and cash equivalents	236,564	155,518

21. Share capital and other reserves and distributions to equity holders of the parent

EUR '000	Number of shares	Share capital	Treasury shares	Unrestricted equity reserve	Other reserves
On 1 Jan 2019	**21,723,960**	**40,134**	**(142)**	**14,708**	**(2,211)**
Currency translation differences					(1,113)
Transfer between items					1
On 31 Dec 2019	**21,723,960**	**40,134**	**(142)**	**14,708**	**(1,098)**
Currency translation differences					(2,875)
Transfers between items					1,146
On 31 Dec 2020	**21,723,960**	**40,134**	**(142)**	**14,708**	**(2,827)**

The par value of each share is 1 EUR. The cumulative translation differences of EUR 2,875,000 in the statement of changes in consolidated shareholders' equity contain the translation differences arising from translating the financial statements of non-euro area business units.

On 31 December 2020, Ferratum Group had 146,200 treasury shares in its possession which represent approximately 0.7% of the share capital and voting rights. No consideration is paid to the treasury shares in a distribution of equity.

The unrestricted equity reserve contains the amount paid for shares in a share issue and the amount when converting convertible capital notes to shares. Other reserves include legal reserves in Ferratum Group companies.

22. Interest bearing liabilities

EUR '000	31 Dec 2020	31 Dec 2019
Non-current interest bearing liabilities		
Bonds issued	174,849	169,164
Lease liabilities	1,961	4,400
Deposits from customers	63,689	-
Total non-current interest bearing liabilities	**240,498**	**173,564**
Current interest bearing liabilities		
Bank borrowings	-	7,567
Bonds issued	-	39,947
Lease liabilities	2,418	2,398
Deposits from customers	247,496	234,741
Total current interest bearing liabilities	**249,914**	**284,653**
Total interest bearing liabilities	**490,412**	**458,217**

2020: In March Ferratum Group repaid an EUR 40 million 6.25% p.a. above 3 month EURIBOR (incl. floor at 0%) Senior unsecured bond.

23. Current non-interest bearing liabilities

EUR '000	31 Dec 2020	31 Dec 2019
Current tax liabilities	**3,241**	**4,539**
Deposits from customers	**28,338**	**7,420**
Trade payables	**9,932**	**5,235**
Other current liabilities	**11,900**	**11,390**
Interest liabilities	3,025	1,450
Accrued employee expenses	2,558	4,153
Other current accrued liabilities on expenses, interest-free	6,317	5,788
Total current non-interest bearing liabilities	**53,411**	**28,585**

24. Related party disclosure

Ferratum Group is controlled by Jorma Jokela, who owns 55.18% of the parent company's shares. The company also holds treasury shares.

Related parties of Ferratum Group are members of the board, senior management team, their close family members and the companies in which the member of the board or senior management team and their close family members has significant control or joint control. Also companies where Ferratum's controlling individual has control, joint control or significant influence is considered to be a related party of Ferratum Group.

Transactions with related parties

EUR '000	2020	2019
Purchase of services from related parties – Entity controlled by key management personnel	963	885

The Group has business relationships with related party companies. The acquired services include administrative services, project management, advisory and consulting services and legal counselling. The Group has bought the security and recruiting services (EUR 115 thousand) from the companies which are controlled by the Managing Director and legal and financial consultancy services (EUR 848 thousand) from the companies which are controlled by the Board Members and the senior Management team members. Related party transactions have been carried out on generally accepted market terms and they have been based on the market price of goods and services

Key management compensation

EUR '000	2020	2019
Compensation to key management (consisting of the Board of Directors and the senior management team)		
Salaries and other short-term employee benefits	2,861	2,282
Share-based payments	-	187
Total	**2,861**	**2,468**
Compensation for members of the Board of Directors and CEO		
Jorma Jokela, CEO, Member of the Board of Directors		
Salaries and other short-term employee benefits	202	216
Juhani Vanhala, Chairman of the Board of Directors		
Salaries and other short-term employee benefits	39	26
Share-based payments		7
Goutam Challagalla, Member of the Board of Directors		
Salaries and other short-term employee benefits	36	17
Miachael Cusumano, Member of the Board of Directors		
Salaries and other short-term employee benefits	36	17
Christopher Wang, Member of the Board of Directors		
Salaries and other short-term employee benefits	36	23
Lea Liigus, Member of the Board of Directors		
Share-based payments	-	180
Kati Hagros, Member of the Board of Directors		
Salaries and other short-term employee benefits	12	17
Frederik Strange, Member of the Board of Directors		
Salaries and other short-term employee benefits	29	17
Clemens Krause, Member of the Board of Director		
Salaries and other short-term employee benefits	186	
Frederik Strange, Member of the Board of Directors		
Salaries and other short-term employee benefits		
Total	**577**	**519**

The retirement age of CEO is 65 years and he has no pension plan.

25. Commitments and contingent liabilities

EUR '000	31 Dec 2020	31 Dec 2019
Credit limit agreement		
Total amount of limits granted to Ferratum	-	30,111
Limit in use	-	7,567
Collateral on own debt		
Guarantees	180,000	220,000
Corporate pledge	-	20,000
Pledged subsidiary shares	-	11

Contingent liability
In common with other firms in the sector, in recent years Ferratum UK Ltd has experienced an increase in the number of complaints it receives in respect of its loan affordability assessments. The increase in complaints follows the Financial Conduct Authority (FCA) introducing new regulations affecting consumer lending from 2015 onwards, and it carrying out further reviews in subsequent years, which have all been widely publicised. Such complaints, which can be made via promoted claims management companies, can result in redress being paid to current and former customers either directly between the company and the customer or as part of a scheme (overseen by the FCA). The quantum relating to such complaints and liabilities remains uncertain and, at this stage, an estimate of this contingent liability cannot be measured reliably.

26. Share-based payments

Employee option plans 2015, 2016, 2017 and 2018
Employee option plans were introduced in April and August 2015, in April and December 2016 and in January, September and November 2017 and in April 2018 designed to provide long-term incentives for key management and employees to deliver long-term shareholder returns and increase their commitment to the company. Under the plans, participants were granted options with a defined fixed exercise price which only vest if the EBITDA in the audited consolidated statements under IFRS of the company has grown by an average of 25% a year during the four financial years prior to the commencement of the exercising period of the options. Options are granted under the plan for no consideration and carry no dividend or voting rights. When exercisable, each option may be converted into one ordinary share. The share subscription price for each option issued in 2015, 2016 and 2017 is EUR 11.90, which constitutes 70% of the initial public offering price of the company's share on Frankfurt Stock Exchange on 6 February, 2015. The share subscription price for each option issued in 2018 is 13,50, which constitutes approximately 50% of the price of the Company's share in Frankfurt Stock Exchange on the date of approval of the issued shares. The total fair value of the options issued in 2015 on the grant date is approximately EUR 1,415 thousand (EUR 6.46 per option). The total fair value of the options issued in 2016 on the grant date is approximately EUR 1,251 thousand (EUR 5.78 per option). The total fair value of the options issued in 2017 on the grant date is approximately EUR 2,666 thousand (EUR 8.29 per option). The total fair value of the options issued in 2018 on the grant date is approximately EUR 1.937 thousand (EUR 10.76 per option). The fair value on the grant date is independently determined using the Black-Scholes model taking into consideration the terms and conditions of the grant. The material model inputs for options granted during the year ended 31 December 2015, the year ended 31 December 2016, the year ended 31 December 2017 and the year ended 31 December 2018, includes the exercise price, the term of the option, the share price on the grant date and the expected price volatility of the underlying shares. The expected dividend yield and the risk-free interest rate for the term of the option did not have a material effect on the option value on the grant date.The main parameters used in defining the fair value of the option programs 2018, 2017, 2016, 2015, 2014 are:

	2018	2017	2016	2015	2014
Share price on the date of issue, EUR *	27.20	21.68	20.76	22.47	6.75
Original subscription price, EUR	13.5	11.9	11.9	11.9	2.65
Duration (years)	1-4	1-4	4	4	4
Expected volatility, %	40	40	40	40	40
Fair value of option on the date of issue, EUR	10.76	8.29	5.78	6.46	4.11

*2018: weighted average value of 180,000 options with a share price of EUR 27.20 on the date of issue. 2017: weighted average value of 158,500 options with a share price of EUR 17.20 on the date of issue, 113,000 options with a share price of EUR 25.74 on the date of issue and 50,000 options with a share price of EUR 26.72 on the date of issue; 2016: weighted average value of 144,875 options with a share price of EUR 23.62 on the date of issue and 71,500 options with a share price of EUR 14.99 on the date of issue; 2015: weighted average value of 192,100 options with a share price of EUR 22.50 on the date of issue and 26,860 options with a share price of EUR 22.27 on the date of issue; 2014: pre-IPO valuation based on Black-Scholes model assumptions.

Cancellation of option plans 2014, 2015, 2016, 2017 and 2018

During Q2 2020 Ferratum cancelled all of its share based payment schemes. In addition, Ferratum repurchased already vested options. Accordingly, accelerated vesting was applied and all non-vested schemes were considered as fully vested at the cancellation date. Due to the COVID-19 crisis and its effects on Ferratum Group's business, two option schemes with 2020 Group EBITDA as realization targets were deemed non reachable before the cancellation and their previous cost bookings were reversed upon cancellation. This positive effect netted off the effect of recognizing the full expenses on accelerated basis of the remaining non vested schemes. The price paid for repurchasing the unvested options to the extent that the repurchase price exceeded the fair value of the options at the cancellation date was recognised in the income statement. The total P/L impact was a cost of EUR 246 thousand. Regarding the options that were already vested, the purchase price of the options was recognised directly in equity, because the purchase price was less than the fair market price of the options at the purchase date.

New share based payment plan 2020

A sales bonus scheme was launched during H2 2020 where the bonus received by employees is invested into shares of Ferratum. The bonus was earned during 2020 while the actual payment is done during Q1 2021. The total achieved bonus under the scheme was EUR 100 thousand.

Change in the number of options outstanding during the years ended 31 December 2020 and 2019:

	2020		2019	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
Number of options outstanding on January 1	12.20	626,470	12.26	715,615
Granted options during the year	-	-	-	-
Cancelled options during the year	12.20	(626,470)	-	-
Forfeited options during the year	-	-	11.73	(89,145)
Number of options outstanding on 31 December	**0**	**0**	**12.20**	**626,470**
Vested and exercisable options on 31 December	0	0	11.90	166,420

Total expenses arising from share-based payment transactions recognized during the years ended 31 December 2020, and 2019 as part of employee benefit expense are as follows:

EUR '000	2020	2019
Employee option plans 2015 *	(176)	154
Employee option plans 2016	164	390
Employee option plans 2017 *	(94)	610
Employee option plans 2018	356	288
Employee share plans 2020	100	-
Total expenses of share-based payment transactions	**349**	**1,441**

*The reversal of two option schemes and buyback of options as described above caused the P/L effect of these schemes to be positive during 2020.

New share based payment plans 2021

A new employee share performance plan was introduced in December 2020, designed to provide long-term incentive and commitment for key employees to deliver long-term performance targets and increase their commitment to Ferratum. Under the plan, participants are granted shares, less deduction for relevant tax possibly paid by the Participant, determined by the achievement of the performance criteria set by the Group in relation to financial performance and share price development of Ferratum. The performance plan consists of two annually commencing three-year performance periods. There is no restriction period for the awarded shares.

Also during December 2020 the Board decided on a share saving plan for all employees, aiming to give incentive for employees as shareholders of Ferratum. The plan enables employees to invest part of their salary in shares of Ferratum during 2021 with a two year performance period to receive award shares from the company.

27. Subsequent events

Fitch Ratings affirmed, in March 2021, the Long-Term Issuer Default Rating (IDR) at 'B+' with a Negative Outlook and the longterm rating of the senior unsecured notes issued by Ferratum Capital Germany GmbH at 'B+'/RR4.

Ferratum expects that the ongoing COVID-19 pandemic may have a material impact on its earnings during 2021. Although the more recent, and more contagious virus mutations, will continue to cast a shadow of uncertainty throughout 2021, the Group believes that by utilising the experience it gained during 2020 it will be able to continue as a going concern. In addition, the

Group remains confident that there are no critical risks associated with the organisation or the liquidity of its operations.

28. Group companies

28.1 Changes in group structure

New group companies
During the period Ferratum acquired 99% of the shares of the Indian Bwahana Securities and established Ferratum Portfolio S.à r.l. in Luxemburg. The Estonian subsidiary Global Guarantee OÜ demerged into five new companies: Guarantee Services OÜ, fe Business Services OÜ, Guarantee Portfolio OÜ, Guarantee Portfolio Management OÜ and Global Guarantee OÜ.

Changes in company names
Ferratum rebranded its SME lending business to CapitalBox. Accordingly the names of two companies were changed: Ferratum Sweden AB was renamed CapitalBox AB and Ferratum Germany GmbH was renamed CapitalBox GmbH.

Sold and liquidated group companies
During the period the groups operational Russian subsidiaries Ferratum Russia LLC and Rus-Kredit OOO were dissolved and Estonian subsidiaries Guarantee Portfolio OÜ, Guarantee Portfolio Management OÜ and Global Guarantee OÜ sold. Also non-operational companies Ferratum Capital Poland S.A., Ferratum Chile Ltda and Ferratum Georgia LLC were dissolved.

28.2 Group companies

Ownership in Group companies	Country	Group share of holding	Parent company share of holding
Auxilium Limited	Malta	100%	0%
Bwahana Securities	India	99%	0%
Bidellus Bangladesh Ltd	Bangladesh	100%	0%
Bidellus Nigeria Limited	Nigeria	100%	0%
CapitalBox AB	Sweden	100%	100%
CapitalBox GmbH	Germany	100%	100%
Ferratum (Malta) Holding Limited	Malta	100%	99.99999%
Ferratum Australia Pty Ltd	Australia	100%	100%
Ferratum Bank p.l.c.	Malta	100%	0.00001%
Ferratum Brazil Servicos De Correspondente Bancario Ltda	Brazil	100%	99%
Ferratum Bulgaria EOOD	Bulgaria	100%	100%
Ferratum Canada Inc	Canada	100%	100%
Ferratum Capital Germany GmbH	Germany	100%	100%
Ferratum Capital Oy	Finland	100%	100%
Ferratum Czech s.r.o.	Czech Republic	100%	100%
Ferratum Denmark ApS	Denmark	100%	100%
Ferratum Finland Oy	Finland	100%	100%
Ferratum International Services Oy	Finland	100%	100%
Ferratum Latvia SIA	Latvia	100%	100%
Ferratum Mexico S. de R.L. de C.V.	Mexico	100%	99.99%
Ferratum New Zealand Ltd.	New Zealand	100%	100%
Ferratum Peru S.A.C.	Peru	100%	99%
Ferratum Portfolio S.à r.l.	Luxembourg	100%	100%
Ferratum Romania I.F.N.S.A.	Romania	99.94%	99.94%
Ferratum Services Limited	Malta	100%	0%
Ferratum UK Ltd	Great Britain	100%	100%
Ferratum Vakuutus Oy	Finland	100%	100%
fe Business Services OÜ	Estonia	100%	100%
Guarantee Services OÜ	Estonia	100%	100%
Global IT Services s.r.o.	Slovakia	100%	100%
Inari Serviços Financeiros Ltda	Brazil	100%	99%
Numeratum d.o.o.	Croatia	100%	100%
Pactum Collections GmbH	Germany	100%	100%
Pactum Poland Sp. z.o.o.	Poland	100%	100%
Saldodipje SL	Spain	100%	100%
Swespar AB	Sweden	100%	100%
UAB "Ferratum Finance"	Lithuania	100%	100%

Parent company statements 2020

Ferratum Oyj Income Statement

EUR '000	Note	2020	2019
Other operating income		37,235	10,787
Material and services		(0)	(19)
Wages and salaries		(4,402)	(3,769)
Pension expenses		(581)	(684)
Other social expenses		(128)	(95)
Personnel expenses total		(5,111)	(4,548)
Depreciation, amortization and impairment	2	(31,409)	(2,324)
Other operating expenses	2	(19,531)	(15,250)
Operating profit		(18,816)	(11,353)
Financial income			
Intra-group dividend income		8,713	20,467
Other interest and financial income Group companies		6,595	6,062
Other interest and financial income from others		213	84
Financial income total		15,522	26,613
Financial expenses			
Other interest and financial expenses Group companies		(12,450)	(10,209)
Other interest and financial expenses from others		(1,856)	(326)
Financial expenses total		(14,306)	(10,535)
Financial income and expenses		1,216	16,078
Profit/loss before appropriations and taxes		(17,600)	4,724
Appropriations			
Group Contribution		12,635	17,890
Income tax		(29)	(994)
Profit (loss) for the year		**(4,994)**	**21,620**

Ferratum Oyj Statement of Financial Position

EUR '000	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets	3	9,964	12,703
Tangible assets	3	1,363	1,386
Investments	3	121,786	132,393
Non-current receivables	3	96,218	84,762
Total non-current assets		**229,331**	**231,244**
Current assets			
Current receivables	3	40,852	60,770
Cash and bank		18,694	399
Total current assets		**59,546**	**61,169**
Total assets		**288,877**	**292,414**
EQUITY AND LIABILITIES			
Equity			
Share capital		40,134	40,134
Treasury shares		(142)	(142)
Other reserves total		14,708	14,708
Retained earnings		54,778	33,137
Profit/loss for the period		(4,994)	21,620
Total equity	3	**104,483**	**109,456**
Liabilities			
Non-current liabilities, interest-bearing	3	162,815	164,097
Current liabilities, interest-free	3	21,579	18,861
Total liabilities		**184,394**	**182,958**
Total equity and liabilities		**288,877**	**292,414**

Ferratum Oyj Cash Flow Statement

EUR '000	31 Dec 2020	31 Dec 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / Loss for the period	(4,994)	21,620
Adjustments for:		
Depreciation, amortization & impairment loss	3,443	2,324
Financial income and expenses	(1,216)	(16,377)
Other adjustments	(4,040)	(17,890)
Operating profit before working capital changes	**(6,808)**	**(10,324)**
Working capital changes:		
Increase (-) /decrease(+) in trade and other receivables	(4,645)	2 877
Increase (+) / decrease (-) in trade payables	(1,485)	645
Cash generated from operations	**(12,938)**	**(6,801)**
Interest paid	(7,608)	(5,072)
Dividends received	15,180	14,000
Interest received	784	4,280
Other financing items	(1,788)	3,905
Income taxes paid	666	994
Net cash from operating activities	**(5,703)**	**11,307**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible and intangible assets	(680)	(294)
Acquisition of subsidiaries	(3,043)	(21,101)
Disposal of subsidiaries	923	-
Loans granted (-) / Repayments of loans (+)	(27,613)	(41,666)
Net cash used in investing activities	**(30,414)**	**(63,061)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings (+) / Repayment (-)	22,662	41,760
Dividends paid	-	(3,884)
Group contribution received (+) / paid (-)	31,750	14,170
Net cash used in financing activities (C)	**54,412**	**52,046**
Net increase/decrease in cash and cash equivalents	**18,295**	**292**
Cash and cash equivalents at the beginning of the period	399	107
Net increase/decrease in cash and cash equivalents	18,295	292
Cash and cash equivalents at the end of the period	18,694	399

1. Basis of preparation of the parent company

Parent company information

Ferratum Oyj, registered in Helsinki, is the parent company of Ferratum Group. Copies of the consolidated financial statements can be obtained from Ferratum Oyj, located in Ratamestarinkatu 11 A, 00520 Helsinki.

Share capital

The share capital of the company is EUR 40,133,560 and the number of shares are 21,723,960. The shares have no nominal value. All the shares are attached with equal voting rights and equal right when distributing dividend.

Valuation methods

Tangible assets have been valued at acquisition cost.

Receivables, financial assets and liabilities

Receivables are stated at face value, but no more than probable value. Securities and other financial assets included in financial assets are carried at cost or, if lower, at their probable value at the balance sheet date. Liabilties are stated at nominal value or, if the debt is linked to an index or other benchmark, at a higher nominal amount than the changed benchmark.

Allocation principles and methods

The acquisition cost of tangible assets are depreciated according to plan. The difference between the acquisition cost and residual value of the asset is booked as depreciation over the economic period of the asset.

Depreciation periods

- Renovation in own premises - 10 years
- Intangible assets - 3 to 10 years
- Tangible assets - 25% declining depreciation

Receivabled and liabilities denominated in foreign currency

Foreign currency transactions are recorded at the exchange rate on the transaction date. Other assets and liabilities denominated in foreign currencies outstanding at the end of the financial year have been translated into Finnish currency at the exchange prevailing in the balance sheet date and exchange differencies have been recognized through profit or loss.

Deferred tax assets and liabilities

Deferred tax assets and liabilties are disclosed in the notes to the income statement in connection with income taxes.

Comparative data

The company's financial year is the calendar year. The comparative figures used are the previous year's financial statements.

2. Notes to the income statement of the parent company

Average personnel	2020	2019
During financial year	55	47

Management compensation, EUR ’000	2020	2019
Wages and salaries	(394)	(346)

Other operating income, EUR ’000	2020	2019
Sales to Group companies	13,291	10,787
Extraordinary income from selling of intragroup companys	23,944	-

Depreciation and amortization by asset class category, EUR ’000	2020	2019
Intangible assets		
Other capitalized expenditure	(3,381)	(2,259)
Tangible assets		
Machinery and equipment	(62)	(65)
Impairment of investment		
Impairment of investment in subsidiaries in UK and Poland	(27,966)	-
Total depreciation and amortization	**(31,409)**	**(2,324)**

Other operating expenses, EUR ’000	2020	2019
Other expenses for Group companies	(7,096)	(5,810)
Other operating cost	(1,597)	(1,783)
Professional fees	(4,222)	(3,673)
Marketing cost	(1,764)	(2,129)
Administration costs	(4,684)	(1,655)
Other operational expenses of selling intragroup companys	(2)	-
Audit fees	(167)	(201)
Total other operating expenses	**(19,531)**	**(15,250)**

Audit fees and other services from audit companies EUR '000	2020	2019
PwC		
Audit fees	167	201
Non-audit fees:		
Audit related services		0
Tax advice	10	0
Other services	308	289
Other audit companies		
Audit fees	0	0
Non-audit fees:		
Tax advice	0	113
Other services	0	13
Total audit fees	**167**	**201**
Total non-audit fees	**318**	**416**

3. Notes to the statement of financial position of the parent company

Intangible assets, EUR '000	Other capitalized expenditures
Acquisition cost on 1 January 2020	18,597
Additions during the year ended 31 December 2020	642
Acquisition cost on 31 December 2020	**19,238**
Accumulated depreciation on 1 January 2020	(5,893)
Depreciation during the year ended 31 December 2020	(3,381)
Accumulated depreciation on 31 December 2020	**(9,275)**
Net Book value on 31 December 2020	**9,964**
Net Book value on 1 January 2020	**12,703**

Intangible assets, EUR '000	Other capitalized expenditures
Acquisition cost on 1 January 2019	18,308
Additions during the year ended 31 December 2019	289
Acquisition cost on 31 December 2019	**18,597**
Accumulated depreciation on 1 January 2019	(3,635)
Depreciation during the year ended 31 December 2019	(2,259)
Accumulated depreciation on 31 December 2019	**(5,893)**
Net Book value on 31 December 2019	**12,703**
Net Book value on 1 January 2019	**14,673**

Tangible assets, EUR '000	Real estate	Machinery and equipment	Other tangible assets	Total
Acquisition cost on 1 January 2020	1,241	568	1	1,810
Additions during the year ended 31 December 2020		38		38
Acquisition cost on 31 December 2020	1,241	606	1	1,848
Accumulated depreciation on 1 January 2020		(424)		(424)
Depreciation during the year ended 31 December 2020		(62)		(62)
Accumulated depreciation at 31 December 2020		(485)		(485)
Net Book value on 31 December 2020	**1,241**	**121**	**1**	**1,363**
Net Book value on 1 January 2020	**1,241**	**144**	**1**	**1,386**

Tangible assets, EUR '000	Real estate	Machinery and equipment	Other tangible assets	Total
Acquisition cost on 1 January 2019	1,241	563	1	1,805
Additions during the year ended 31 December 2019		5		5
Acquisition cost on 31 December 2019	1,241	568	1	1,810
Accumulated depreciation on 1 January 2019		(358)		(358)
Depreciation during the year ended 31 December 2019		(65)		(65)
Accumulated depreciation at 31 December 2019		(424)		(424)
Net Book value on 31 December 2019	**1,241**	**144**	**1**	**1,386**
Net Book value on 1 January 2019	**1,241**	**205**	**1**	**1,447**

Investments, EUR '000	Other shares and equity interests
Acquisition cost on 1 January 2020	132,393
Additions during the year ended 31 December 2020	4,496
Disposals during the year ended 31 December 2020	(7,085)
Impairment of investment during the year ended 31 December 2020	(8,016)
Acquisition cost on 31 December 2020	121,786
Book value on 31 December 2020	**121,786**
Book value on 1 January 2020	**132,393**

Investments, EUR '000	Other shares and equity interests
Acquisition cost on 1 January 2019	111,564
Additions during the year ended 31 December 2019	21,101
Disposals during the year ended 31 December 2019	(272)
Acquisition cost on 31 December 2019	132,393
Book value on 31 December 2019	**132,393**
Book value on 1 January 2019	**111,564**

Non-current receivables, EUR '000	31 Dec 2020	31 Dec 2019
Receivables from intra-group companies	92,110	81,647
Non-current receivables from employees	7	3
Non-current receivables from external parties	4,101	3,112
Total Non-current receivables	**96,218**	**84,762**

Current receivables, EUR '000	31 Dec 2020	31 Dec 2019
Other receivables	325	689
Receivables from intra-group companies, accounts receivables	9,038	5,727
Receivables from intra-group companies, other	28,445	48,847
Accruals	3,044	5,508
Total Current receivables	**40,852**	**60,770**

Change in equity 2020, EUR '000	Share capital	SVOP reserve	Retained earnings	Equity total
Total Equity on 1 January 2020	**40,134**	**14,708**	**54,614**	**109,456**
Other changes			21	21
Dividend distribution			0	0
Profit/loss for the period			(4,994)	(4,994)
Total equity on 31 December 2020	**40,134**	**14,708**	**49,641**	**104,483**

Change in equity 2019, EUR '000	Share capital	SVOP reserve	Retained earnings	Equity total
Total equity on January 1 2019	**40,134**	**14,708**	**36,880**	**91,722**
Other changes to opening balance			(2)	(2)
Dividend distribution			(3,884)	(3,884)
Profit/loss for the period			21,620	21,620
Total equity on 31 December 2019	**40,134**	**14,708**	**54,614**	**109,456**

Non-current liabilities, EUR '000	31 Dec 2020	31 Dec 2019
Non-current intra-group debts	162,815	164,097
Total non-current liabilities	**162,815**	**164,097**

Current liabilities, EUR '000	31 Dec 2020	31 Dec 2019
Trade payables	1,769	1,609
Other liabilities	390	427
Accruals	1,304	1,785
Intra-group liabilities	18,116	15,041
Total current liabilities	**21,579**	**18,861**

Accruals (current), EUR '000	31 Dec 2020	31 Dec 2019
Accruals of personnel expenses	650	689
Tax liabilities	-	776
Other accruals	654	319
Total accruals (current)	**1,304**	**1,785**

Other rental liabilities, EUR '000	31 Dec 2020	31 Dec 2019
Current rental liabilities	3	3

Commitments, EUR '000	31 Dec 2020	31 Dec 2019
Corporate pledge	-	20,000
Pledged subsidiary shares, book value	-	11
Commitments for intra-group companies	180,000	220,000

Ferratum Oyj is the guarantor of the bonds issued by Ferratum Capital Germany GmbH. The funds from the bond issues are in accordance with the intercompany loan agreements being lent to Ferratum Oyj.

Related party transactions

No loans and or any other commitments were issued to any related parties during 2020.

APPROVAL OF THE FINANCIAL STATEMENTS AND THE BOARD OF DIRECTORS REPORT

Helsinki, 23 March, 2021

Juhani Vanhala
Chairman of the Board

Lea Liigus
Member of the Board

Jorma Jokela
CEO, Member of the Board

Goutam Challagalla
Member of the Board

Michael Cusumano
Member of the Board

Christopher Wang
Member of the Board

Clemens Krause
Member of the Board

Frederik Strange
Member of the Board

The Auditor's Note
A report on the audit performed has been issued today

Helsinki, March 24, 2021

PricewaterhouseCoopers Oy
Authorized Public Accountants

Jukka Karinen

Authorized Public Accountant

Ferratum Non-financial information statement

Business model

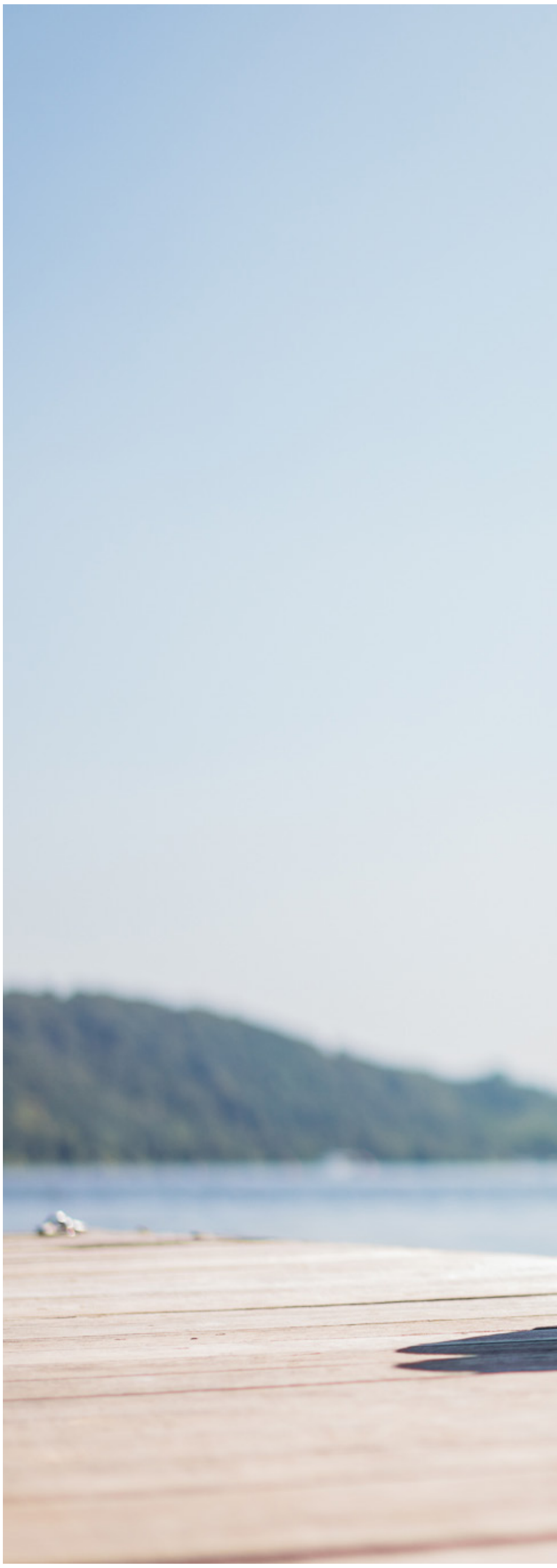
Ferratum Oyj and its subsidiaries form Ferratum Group (the "Group") which is an international provider of mobile banking and digital consumer and small business loans, distributed and managed by mobile devices. Ferratum, headquartered in Helsinki, Finland was founded in May 2005 and has expanded its operations across Europe, North America, South America, Africa and the Asia-Pacific region. Improving access to finance for people globally, has remained a cornerstone of Ferratum's business operations since its foundation.

Ferratum currently operates in 20 countries globally, has a full EU-banking license offering a variety of financial services including: digital consumer and small business lending, deposits and a wallet.

Ferratum Bank p.l.c., a wholly owned subsidiary of Ferratum Oyj, is a credit institution licensed by the Malta Financial Services Authority (MFSA). Ferratum Bank p.l.c. provides Ferratum with a framework through which it can offer banking services to its customers on a cross border basis within the EEA. This enables Ferratum to offer services that require a licence in many major jurisdictions across the European continent in a manner that would not be otherwise possible. At the end of December 2020, Ferratum was serving more than 530,000 active customers.

As a pioneer in digital and mobile financial services technology, Ferratum offers a comprehensive loan product portfolio, with retail customers able to apply for consumer credit in amounts varying between EUR 25 and EUR 20,000 and small businesses instalment loans up to EUR 350,000 with a term of six to 24 months.

On the path to becoming the "Most valued financial Platform", Ferratum has developed its own proprietary core mobile banking platform, the Mobile Wallet. The Mobile Wallet app is to be further rolled-out throughout Europe during 2021 and beyond and Ferratum will position the Mobile Wallet into the very centre of its customer communications. At the end of 2020, the Mobile Wallet was operational in Latvia.



Ferratum's risk management is the duty of the Board of Directors and the risk committee. Ferratum's risk management is based on prudent operational principles which aim to identify and manage the major risks that Ferratum may face in its business.

Material topics for corporate social responsibility

Ferratum is required by Finnish law to report on its activities and how we meet the relevant standards of corporate responsibility. In addition to this, the business is committed to establishing a set of responsibility measures that not only represent an internal standard for the business to meet but that also sets an example to others in the industry to aspire to.

Ferratum carried out a focused materiality assessment that consulted with group-level stakeholders in 2017. In 2018, the materiality matrix was updated to better reflect our significant external impacts on the economy, the environment, and society – and not only those impacts that have immediate consequences from the business perspective. The key criteria remain as follows:

- Responsible lending
- Employee well-being and development
- Ethical business practices and transparent communications
- Value for customers and investors

In 2020, work was continued along these lines.

At Ferratum, responsible lending is viewed within the organisation as a collective responsibility throughout all levels of the organisation. Ferratum is committed to ensuring that the marketing practices and lending decisions are transparent, clear and consistent. In 2020, due to the COVID-19 pandemic, scoring and lending was tightened significantly. The lending volumes were also reduced. The repayment pattern also improved during the year due to the customers more consistently and reliably paying back their debt.

Ferratum is also reporting voluntarily on how its operations and internal controls ensure it is a responsible lender. Read more about Ferratum´s corporate responsibility work in 2020 from the Annual Report.

Environmental protection

Although Ferratum does not have a formal environmental policy, it is committed to reducing its impact on the environment by taking positive action and raising awareness about environmental issues. Examples of this include promoting video and phone conferencing and encouraging paperless work and using recyclable office supplies, where possible. Office managers are also encouraged to communicate energy-saving measures, such as turning off lights and managing air-conditioning more effectively, as well as promoting plastic reduction and recycling.

Ferratum acknowledges that setting up offices always has some environmental impact. Where possible, offices are selected so that they are near public transport, to reduce the use of private cars and transport.

No risks related to environmental matters have been identified in the risk management process.

Social responsibility and treatment of employees

Ferratum is an international, multicultural, and multilingual organisation. In 2020, Ferratum made more significant organisational changes in reaction to the COVID-19 pandemic and reduced lending volumes. As a result, the personnel head count was regrettably reduced. Ferratum now employs 640 people across 20 markets in Europe, North America, South America, Africa and the Asia-Pacific region, with key operational offices in Finland, Malta, Slovakia and Germany and including 36 different nationalities. The Group HR team consists of nine employees working in Estonia, Germany, Malta and Slovakia and they are managed by the Head of Human Resources.

Ferratum has several people-related policies in place to support the management and development of the personnel. There are policies, procedures and guidelines on recruitment, changes in the organisation, training and development, security, and a Code of Business Conduct (in Ferratum Bank). Employee handbooks have been developed to guide corporate communication, equality and actions against bullying. All employee policies and guides are introduced via info-letters and are also available at a later date through an internal communications page.

Employee related risks have been identified in Ferratum's risk management process as:

- The potential loss of key members of the management team
- The inability to attract and retain talent required to run the business

Ferratum also acknowledges the shift in modern working habits. Ferratum manages these risks by focusing on the employee well-being, developing its remuneration, bonus and benefits system and offering motivating and interesting career opportunities. Ferratum is also committed to helping its people achieve a better worklife balance and healthier lifestyle.

The company currently runs a number of initiatives to support the well-being and professional development of its people. These include:

- Improving the possibilities for remote work
- Providing occupational healthcare, such as private health insurance or subsidizing healthcare expenses
- Occupying modern offices in most locations (and including tea-coffee, snacks and fruits)

Ferratum is continuously reviewing the benefits it offers to its employees to ensure they are fit for today's working environment. The continuous professional development of individuals is strongly encouraged, through:

Formal training and development programmes via (virtual) seminars, classroom training and online courses

- On-the-job learning and more informal teaching
- Offering challenging tasks and projects
- Mentoring and line management

In 2020, Ferratum continued its leadership training for line managers and team leaders, focusing on improving project and team management skills, data protection and excellence in internal employee-related processes.

Anti-corruption and bribery

Anti-corruption and bribery matters are included in the Code of Business Conduct and Ethics of Ferratum Bank and implemented accordingly at different levels of Ferratum Bank's organisation. The Code has been communicated to the members of the board and members of senior management of Ferratum Group and Ferratum Bank as well as to all employees at Ferratum Bank. In addition, Ferratum has established guidelines for preventing the abuse of inside information, and Ferratum's subsidiaries have in place company specific policies and guidelines for preventing money laundering and terrorist financing. The organisation's anti-corruption policies are published and accessible to all members and jurisdiction where the organisation operates and shared with our business partners as part of the joint venture processes.

Any corruption or bribery concerns or other suspected violation of financial markets regulation can be flagged via the whistleblowing process and would automatically be escalated to the management team. Depending on the nature, scale and complexity of the issue in question, an internal or external audit could be implemented.

No incidents of corruption or bribery or other suspected violation of financial markets regulation or company policies were reported at Ferratum Group through the whistleblowing channel or any other channel in 2020. In addition, no contracts or business relationships have been terminated due to confirmed cases of corruption and there were no public cases relating to corruption where the company was affected.

Risks related to anti-corruption and bribery vary, depending on the business unit and areas of operation of the relevant subsidiary at Ferratum Group. Where risks are deemed to be higher, appropriate controls are put in place, such as internal audit and the application of four eyes principles.

Within the Bank's Legal and Compliance function a number of changes were made to specific roles, including that of the Money Laundering Reporting Officer ("MLRO"), in order to consolidate the team's succession planning and resources in the three separate fields of anti-financial crime, compliance and law. The continued investment in the functions' resources was not only driven by increased regulatory and supervisory expectations across the countries in which the Group is active, but also by the Group's own internal drive to strengthen its internal control function and promote a solid compliance culture across the Group and its subsidiaries.

Respect for human rights

Ferratum is committed to creating and providing a working environment in which individual differences are recognised and valued; where each employee has equal opportunities in terms of career progression and personal development and that everyone is free from the risk of harassment, discrimination, exploitation or intimidation. Ferratum has implemented a formal equal opportunities policy, that includes a commitment to fair and transparent recruitment and career development, that is based on merit and ability. There are clear policies against discrimination based on age, gender, disability, religion or belief, race, sexual orientation etc. There is also a formal complaints procedure to manage internal complaints about issues such as harassment.

Ferratum operates on a zero-tolerance policy for any form of harassment in the workplace, treating all incidents promptly and confidentially to investigate all allegations of harassment. There is also an internal whistleblowing channel in place, for anonymous reporting of suspicions or instances of possible misconduct against laws or company policies and principles.

In 2020, no cases were reported concerning human rights violations through the internal whistleblowing channel or other channels.

Approval of the non-financial information statement

Juhani Vanhala
Chairman of the Board

Lea Liigus
Head of Legal and Compliance, Member of the Board

Jorma Jokela
CEO, Member of the Board

Goutam Challagalla
Member of the Board

Michael A. Cusumano
Member of the Board

Christopher Wang
Member of the Board

Clemens Krause
Member of the Board

Frederik Strange
Member of the Board